RIGHT-HAND MAN

THE LIFE OF GEORGE W. PERKINS

by John A. Garraty

This immensely readable biography not only chronicles a phenomenal career, but also provides a fascinating inside story of high finance and politics in the early 1900's. This was a time when Wall Street leaders, rather than Washington "experts," were guiding national as well as private finance. As a brilliant insurance executive, then a Morgan partner, a close associate of Theodore Roosevelt in the Progressive party, and a social visionary, George Walbridge Perkins was vitally involved in the affairs of his time.

An aggressive young man from the West, Perkins was vice president of New York Life Insurance Company at the age of thirty. Over the next decade he brought his company to first place among American insurance firms. Such was his ability and so great was his charm that J. P. Morgan offered him a partnership in the Morgan banking empire on their first meeting in 1900.

During his ten years as a Morgan partner—one of the most vigorous periods in American business—

(Continued on back flap)

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RIGHT-HAND MAN

Books by John A. Garraty

RIGHT-HAND MAN: The Life of George W. Perkins
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IS THE WORLD OUR CAMPUS?
FROM MAIN STREET TO THE LEFT BANK

RIGHT-HAND MAN

The Life of

GEORGE W. PERKINS

John A. Garraty

HARPER & BROTHERS, PUBLISHERS, NEW YORK

RIGHT-HAND MAN

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For

Nancy and Henry, and Walter and Pauline,
guardians of the light upon a distant hill

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ILLUSTRATIONS

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ACKNOWLEDGMENTS

Although I have made extensive use of manuscript collections relevant to my subject's career in the Library of Congress and other public depositories, this biography could not have been written without access to George W. Perkins's own papers. This extensive collection of letters, memoranda, financial records, newspaper clippings, and other documents was made available to me by the late George W. Perkins, Jr. Mr. Perkins turned his father's papers over to me without a single restriction as to how I was to interpret the information they contained. He co-operated with me in every possible way, answering my many questions, searching out additional materials among his own papers, and providing funds for a fellowship so that a graduate student could assist me in my labors. Shortly before his death Mr. Perkins read this work in manuscript. He offered a number of criticisms based on his memory of his father and his career, some of which enabled me to correct errors and to alter faulty judgments I had made. But he never attempted to influence my conclusions. His sister, Dorothy Perkins Freeman, has also read the manuscript and provided information of great importance; she too has allowed me complete freedom in the employment of the papers. I wish to pay tribute here to these fair-minded and generous people. One of Mr. Perkins's last acts was to give the Perkins papers to Columbia University, where they may now be freely used by scholars.

Many other persons have aided me in the preparation of this work. For their many kindnesses in making available to me manuscripts in their care I wish to thank the staff of the Manuscripts Division of the Library of Congress, the staff of the National Archives, Henry Koch of the Michigan State University Library,

Mrs. Lucile Kellar of the McCormick Collection, Wisconsin State Historical Society, Howard B. Gotlieb of the Yale Library, William Young, Vice-President of the New York Life Insurance Company, and the Company Archivist, Mrs. Angelica Blomshield. Flamen Ball, Edward W. Freeman, and Fred A. Wickett gave me their personal recollections of Perkins, and Leonhard Keyes of J. P. Morgan and Company answered some of my questions about Perkins's work in that firm. William Miller first called my attention to the Perkins papers, and introduced me to George W. Perkins, Jr. Thomas Felt arranged the Perkins papers and did research for me in these papers and in other sources. My colleague at Columbia University, Professor Robert H. Wiebe, read the work in manuscript, made valuable suggestions, and also allowed me to make use of some of his own notes. Cass Canfield and Mrs. Margaret Butterfield of Harper & Brothers suggested many ways in which the manuscript could be made clearer and more interesting. Mrs. Elayne Ballance, an intelligent, accurate, and rapid typist, was also most helpful. Finally, I must again thank my wife, Joan, for her invaluable criticisms, for her skill as an editor, and for her loyal support at every stage in the preparation of this work.

J.A.G.

PART I

THE OLD RELIABLE

CHAPTER I

FATHER KNOWS BEST

THEODORE ROOSEVELT was talking over the long-distance telephone to his most trusted lieutenant. "George," he said, "I should like to be where I could hold your hand."

J. Pierpont Morgan, taking his ease at Aix-les-Bains, had just received a cablegram from one of his partners. "Your cable . . . fills me with amazement," he replied, and he was not an easy man to surprise. "Did not really believe anything would come of the negotiations. Congratulate you most heartily."

President John A. McCall of the New York Life Insurance Company was trying to persuade his Finance Committee to triple the salary of one of the vice-presidents. "He has done so many remarkable things," McCall said, "and saved the policyholders so much money, that it is difficult to particularize."

Roosevelt's auditor, Morgan's correspondent, and the recipient of McCall's praise were all one person, George Walbridge Perkins, a man little known today but one of the most successful, controversial, and interesting Americans of the early twentieth century. The story of his rise from obscure beginnings to wealth and power would have strained the credulity of Horatio Alger's most devoted readers. Son of the warden of a boy's reformatory, he never went to high school but was invited to lecture at Columbia University. His father thought him slow in the head, but he revolutionized the insurance business, mastered the most complicated problems of corporate finance, developed the Palisades Interstate Park, guided the first faltering footsteps of the United States Steel Corporation, created the International Harvester Corporation, made millions of dollars—and helped to organize and run Theodore Roosevelt's "Bull Moose" Progressive party.

So compelling was his personality that Morgan offered him a partnership (plus $125,000 for a worthy cause close to Perkins's heart) the first time they met. The jealous leaders of the hotly competitive farm machinery industry, unable to agree about the value of their properties, asked Perkins to assess them and promised in advance to accept his decision. A Russian Finance Minister, the shrewd and powerful Sergei Witte, was so captivated that he refused to license American competitors of Perkins's life insurance company.

Wall Streeters called him a socialist and Western reformers considered him a tool of Wall Street. A fierce competitor, he devoted his last years to arguing for the concept of industrial co-operation. He was a striking figure because he differed in so many respects from his business contemporaries; yet, we can see now, he also typified his times. Many of his fellows shared his interest in public service, but few formed ways of expressing their interest so forcefully and imaginatively.

No one could have predicted Perkins's later success from a study of his childhood. In the family, Willie Perkins was the bright one; George was amiable enough and well intentioned, but he seemed to lack something—ambition, determination, perhaps simply adequate mental powers. It was a shame, for after all, George was the oldest child and bore his father's name. He was also such a *nice* boy. If only he had Willie's drive, Willie's infectious enthusiasms, Willie's quick grasp of business principles. George Walbridge Perkins, Senior, did his best to make something of his namesake, but without much success. Georgie was always a willing youngster, but somehow he was more interested in dogs and horses and the shiny red fire engine across the street from his father's office on La Salle Street in Chicago than in mastering the complications of the insurance business.

George Senior loved the boy dearly, as he did Willie and little Eddie and Emily. He was a family man in every sense, with few other interests except for his work and his religion. "All there is in this world for me is my family," he once admitted. Always he labored more for his children's benefit than for his own. Life had never been easy, but he had always done well and (more important)

right, and he could look back on a varied career with honest satisfaction.[1] *

The Perkinses were old New England stock, but his ancestors had pushed out into western Pennsylvania. His father, William Perkins, edited a newspaper in Meadville, and later ran a hotel there. But William died relatively young, leaving his wife Lucy Walbridge with four sons to support. As a lad George wanted to become a missionary, but poverty put the necessary training out of reach. At the age of fourteen, in 1845, he took a job in a Walbridge uncle's shipping business in Buffalo, sublimating his missionary bent in the Buffalo Y.M.C.A., which he helped to organize in 1852, and in the North Presbyterian Church.

For a number of years the elder George Perkins shifted from one job to another, in Buffalo, in Grand Rapids, and finally in Chicago. He was blessed with a great deal of vitality and also with a restless spirit. Always some form of religious or social work absorbed much of his energy, detracting, perhaps, from his efficiency as a breadwinner. While he lived in Buffalo, in addition to his Y.M.C.A. work, he frequently held informal religious services at the city jail. Many years later a friend of these days recalled: "He seemed fixed in his love of God and his fellow man, laboring diligently on that line."[2] In Grand Rapids, where for a time he was a partner in a small hardware store, he was superintendent of the First Presbyterian Church Sunday school. After moving to Chicago in 1857 he organized a series of mission schools, all set up in the dreariest depths of the city's slums.

About 1860, Perkins persuaded the president of the Rock Island Railroad to let him use an old coach shunted off on a siding under some trees in the Rock Island yard as a Sunday school. This car became the Railroad Mission School. George made up in sincerity for his lack of training as a preacher. Hymn singing was his forte, and he loved to add his strong voice to the shrill piping of his young scholars. The mission expanded rapidly; within a few years there were eight cars on the siding. Finally a building was constructed on land donated by the Lake Shore and Michigan Southern Railroad, and soon the Railroad Mission was providing spiritual enlightenment for more than a thousand slum children. This suc-

* Superior numbers refer to notes, beginning on page 393.

cess won Perkins an opportunity to earn his living in social work; he was offered, and he promptly accepted, the superintendency of the Chicago Reform School.

In 1856 he had married Sarah Louise Mills. Not much is known of her origins. Orphaned as a child, she had been taken in by some Buffalo cousins. She was a simple, quiet girl, much occupied with domestic affairs. The first child of this union died while still a baby. The next, George Junior, arrived on January 31, 1862. Then three others followed quickly: William in 1864, Emily Swan in 1866, and Edward in 1868. The growing family resided in a comfortable frame house on the grounds of the Reform School. An English "scientific horticulturalist" was attached to the school and the Perkinses maintained a greenhouse, so altogether they lived in very pleasant circumstances despite their close proximity to what was essentially a prison. Superintendent Perkins had "advanced" ideas about the handling of juvenile delinquents. He believed that a reform school should *reform,* not merely punish its inmates. He established the honor system, let his charges organize a band and march in parades restricted by no stronger force than their own consciences.

Evidently the school had been badly run-down when he took over, for Sarah Perkins wrote a friend in 1866: "Our officers are all *gentlemen now,* our Dining Hall and every thing about it is neatness. . . . Officers who were going to leave in Caldwell's reign, are fixtures now."[3]

Despite some criticism of his honor system, Perkins made a success of the job; as a result, in 1868, Governor John M. Palmer appointed him warden of the state prison at Joliet. In this position he did less well. He tried to institute an honor system at Joliet, but ran into trouble with the prison guards, apparently a harsh and callous crew who understood nothing but the brutal methods of control that characterized most nineteenth-century prisons. He made what his successor called "an earnest effort to break up the crudities and cruelties which he found when he took charge," but he was not very successful.[4] He also tried to make the prison self-supporting by "competing" for contracts to supply stone and labor in the construction of state buildings. This got him in trouble with the politicians, who found it more profitable to do business with

private contractors. As a result, he was transferred in 1870 to the state reform school at Pontiac, Illinois, where once again he could work with children. But after two years at Pontiac he gave up his career and entered the life insurance business. His basic reason, according to family tradition, was the growing feeling that prisons and reform schools did not provide a satisfactory background for the raising of his four children.

The insurance field was a natural choice for a former social worker. It was easy for a man who had dealt with the problems of poverty and broken homes to see the advantages of life insurance and to feel that an insurance man was performing a valuable function not only for his customers but for society as well. The seventies were an ideal time for entering the business too, for the natural growth of the country provided an expanding market and the whole business was being revolutionized by the genius of Henry B. Hyde. So Perkins went into partnership with one O. P. Curran and their firm took over the management of the New York Life Insurance Company's business in the Chicago area. Shortly thereafter, Perkins was made an assistant superintendent of agencies for the region.

One of Sarah Perkins's few surviving letters provides a glimpse into the family at this time in its history. Years of scrimping had resulted in their acquiring a "cozy little white cottage" in Pontiac such as Sarah had "tried to dream about 'in the days when we went Gipseying.' " Although her husband's new insurance business kept him in Chicago from Monday afternoons until Saturday, the family had never been happier. The children ceased to resemble "House Plants" as they romped about the place with the barnyard animals. "Willie is the Farmer," Sarah remarked proudly. "Em is learning to do kitchen work she says, and Eddie hunts eggs pretty much all his time." As for the eldest, "Georgie is my right hand man and he is all business."[5] Another youngster was expected soon to add to the family's joys.

But Sarah's idyl was short-lived. Scarcely three weeks after writing this account of her new happiness she died in childbirth and her baby with her. The bereaved family gave up the house in Pontiac and returned to Chicago, where Sarah's aunt, Miss Sarah Ritchie, moved in to take charge of the children.

Small children often seem curiously insulated against great personal tragedies, particularly those involving death, which is so unrelated to their own experience. But the loss of his mother was especially hard on young Georgie. He was older than the rest, of course, but he had also been closer to Sarah than any of the others. She had understood him as his father never had and never would. When he was only seven she recognized that his backwardness was merely superficial. Basically he had tremendous self-assurance. One day, for example, he climbed aboard the family wagon and started off to town alone driving two horses. Then there was that night when they were living at the penitentiary and the children had been left alone in the house with only the convict servants. A violent thunderstorm had broken. Startled from sleep and fearfully conscious of their isolation amidst hundreds of criminals, the children had been terrified. But Georgie had exerted his "authority" as head of the family and quieted the younger ones by his apparent unconcern. After Sarah died, the boy never forgot the sense of wickedness he felt as he allowed himself to drift off to sleep while her body was still in the house. And for years thereafter, whenever some crisis had to be faced, he always tried to imagine how *she* would have had him act.[6]

Once the family was settled in Chicago, the three oldest children were sent to school. Probably because of their unusual surroundings, none of them had ever been to school before, so they were all entered in the same grade. The progress made by the two older boys confirmed their father's view of their relative abilities. Two of their childish letters, written in 1873, when George was eleven, certainly create the impression that young George was either stupid or criminally lazy. Whereas Willie's is well phrased, grammatically accurate, and neatly written, George's seems the work of a child of seven or eight. Yet their teacher, Ellen M. Carpenter, knew that George was not as stupid as his work suggested. "He had the mind of a man and considered going to school as something for little boys to do," she recalled in later years. "He could not bear plodding and was very impatient." Perhaps his trouble was that he was not first sent to school at the age when youngsters normally begin their formal education. In any case, Mrs. Carpenter promoted him at the end of the year, but held Willie back, because, she said,

"we thought William too delicate to force."

That George was not really dull was made clear by his reaction to this decision. "Did you promote me instead of William because he was so good and nice to have and you didn't want to lose him?" he asked Mrs. Carpenter. "He studied and knew his lessons every day and I didn't." Mrs. Carpenter explained to the boy that she had promoted him in order to encourage him to work harder, but her device did not really succeed. He could not enjoy school, and although he moved ahead fairly rapidly he was never much of a scholar. A fragment of an essay he once wrote entitled "What I Know About Physiology," demonstrates his general attitude. "I cannot say that if I were going to choose a subject to write on this would be the one," he began, "but nevertheless, since it has been chosen I will try and do my best. We will divide it into two heads (that is all I will have time for I think). . . ."

George caused his father considerable anxiety, which was probably aggravated by the brilliance of Willie Perkins. Willie outshone George in every way. He was full of exuberance and yet willing to work hard and master dull details. Schoolwork came easily; he loved to read (George enjoyed being read to, but he scarcely ever picked up a book voluntarily); he had his father's fondness for music and took eagerly to piano lessons; he had a wonderful memory. He was the sort of boy who could take up the study of Latin as a form of recreation and yet remain a regular fellow in the eyes of his contemporaries.[7] Had Willie been less outstanding, George's deficiencies might not have seemed so glaring to their father.

Mr. Perkins handled George with an exasperating mixture of tenderness and carping criticism. Once, for example, when the boy was thirteen, he had a long talk with him about the problem, so common among adolescents, of procrastination. He urged him to finish each new task promptly, and to organize his time carefully. George seemed to take this advice to heart, and his conduct improved accordingly. But a day or two later Mr. Perkins went off to Springfield on a business trip. Worried lest George slip back to his old ways, he wrote him a long letter full of sound advice, but in words that must surely have had a corrosive effect on the boy's self-esteem.

> I feared that after a few days of trying the effort might become tiresome [he wrote]. I am very anxious that you should keep trying. A habit of neglect or of procrastination is one of the worst habits that can fasten upon a person. . . . You are not always ready on the instant to do things right and neglect of them brings trouble sooner or later to you and others. If you make it a positive rule to do whatever duties you have to do at the time they ought to be done you . . . will have plenty of time to spend in play or recreation, but duty before pleasure should be the motto every time.

The letter runs on and on in this vein. Yet it ends on a note that reflects, despite its restraint, the father's basic warmth.

> What a great long letter I have written. Here I have sat for more than an hour writing and talking with you on paper and I suspect you will have to read this letter over a good many times before you fully understand the meaning of all I have said. . . . Were I to keep on writing all I would like to say I should write along for another hour.

Two years after Sarah Perkins's death, George Senior married Emily Swan, Sarah's closest friend. There were two Swan girls, Emily and Mary, teaching at the Chicago Reform School under the Perkins regime. The children had known them from infancy; Georgie had called them "Fawn" for years, and Sarah had named her only daughter Emily Swan Perkins.[8] The appearance of a stepmother, therefore, caused no emotional difficulties; all the children called Emily "mother" from the start. (After the marriage "Aunt Ritchie" relinquished her responsibilities and left the family. No direct evidence of her influence remains; but in later years, as long as she lived, George Perkins saw to it that she was comfortable and properly taken care of.)

George was graduated from grammar school in 1877. He was fifteen years old and the thought of further schooling horrified him. Without great difficulty he persuaded his father to give him a job as office boy. Even earlier he had been lending a hand in the business by forwarding his father's mail and filling out forms and premium notices in spare moments.[9] Now he became a full-time employee, although technically he worked for his father and not for the New York Life. After two years, however, he was given an "official" position by the company President, William H. Beers. It was a proud day in his life, and his father's letter informing

him of the occasion is worth printing, not only because it illustrates the nature of their relationship, but because of the notoriety it achieved years later during the Armstrong investigation.

Pittsburg, March 27/79

DEAR GEORGE,

I have obtained a situation for you with the New York Life to act for the present as my clerk at a salary of $25 per month commencing April 1, 1879. Its continuance will depend upon your improvement in spelling and writing which will need to be very rapid—also upon your care to attend to everything given you to do promptly without making any blunders or mistakes and if in every respect you are honest, truthful and faithful in your duties it will lead eventually to some better position. Mr. Beers hopes that you will prove to be the coming man for the Company. I will instruct you about your duties in detail when I reach Chicago.

Trusting that you will succeed in filling the place in a manner that will enable me always to make a favorable report in reference to your work, believe me ever

Your afft. Father
GEO. W. PERKINS

Shortly after this letter was written, Mr. Perkins was made manager of the New York Life for Ohio, and in 1880 he moved his family to Cleveland. The job kept him almost constantly on the road. Young George was put to work in the office, while Willie accompanied his father on his travels as secretary and general assistant. These assignments showed the father's total misconception of George's talents, and did not make for any easing of their relationship. It was part of George's job to keep his father and brother properly supplied while they were on the road. Mail had to be forwarded, policies processed, checks and forms of all kinds sent out almost daily. The nature of the job made George subordinate, not only to his father, but to Willie as well. George tended to be careless and forgetful in performing these routine duties. Soon, even Willie was complaining of his inefficiency. "George . . . we *said twenty* & we *mean twenty* & not *eight*. How do you suppose we are going to pay twenty dividends with eight checks?" Willie's notes were always good-humored, but it must have been galling to be taken to task by a younger brother. The steady stream of well-

meaning petty criticisms that descended upon him from his father was far more aggravating. Here is a sampling, covering the period from 1876 (when George was still in school) to 1882:

February 14, 1876: Your letter was the best written one I have known you to write but you ought to have written the lines closer together.

February 22, 1877: I guess when you do get a situation somewhere you will have to make a bargain that you do the writing while Willie does the spelling.

August 1, 1878: You must drill yourself to this in every possible way for promptness in all you have to do is one of the main elements in business success. . . . When you can tell me that for one week you have each day done *promptly* and *thoroughly* whatever you had to do I shall hail it as a good omen.

March 5, 1879: I have your letters . . . am sorry to see them both so poorly written. You haven't much to do just now and ought to practice writing at least one hour a day.

September 7, 1879: Pains taking and care in *everything* you do is the point in your character I am the most anxious about.

October 5, 1879: Until you know a great deal more about the Ins. business than you do now the best way will be never to express an opinion about anything.

August 19, 1880: I have your abbreviated news letter of the 17th. After waiting about ten days to gather sufficient material to write a letter you succeeded in writing out a page and a quarter . . . and making several mistakes in that. If your income depended upon writing news articles for some paper you would see the biggest kind of wolf staring at you all the time.

October 5, 1880: I . . . am afraid that you are going to let the temptation to spend money get the best of you. In order that I may see just what you are doing I wish you would make me up a statement of your receipts and expenditures from Jany 1 to Octo 1.

December 23, 1881: There seems to be one thing pretty evident from your letter and that is either you or the other fellow is a little luny.

October 30, 1882: Generally I think you would find that it would pay you to consult your Father first no matter what other people try to make you believe you have got to do.

How George's self-confidence and his genuine fondness for his father survived this constant barrage is a mystery. Of course, a few old letters cannot reveal the whole story of the complicated relationship between father and son. Perhaps George simply dismissed his sire's criticisms as the eccentricities of a well-meaning but rather fussy oldster. Perhaps the father could express his paternal love and pride in other ways. There are rare hints and snatches in the letters that suggest as much. "Don't you wish you and I were out canvassing," Perkins wrote the boy in 1881. "We would make the fur fly. If you can innitiate [sic!] Willie into keeping the cash acct we will go out and make a tour some time."[10]

The boy actually seems to have performed most of his duties remarkably well. His later career alone would suggest as much, but there is other evidence. Most of his father's complaints had more to do with the form than with the substance of his efforts. Furthermore, J. B. Stowe, a long-time employee in the Cleveland office, praised his work highly. "George knew nothing at all about the business when he came in . . . but he went right to work and before his first day was out he had the run of the books. He was only a boy but he seemed more like a man. . . . He came early, bringing his lunch, which he ate at his desk, and never left until he had balanced his books for the day. I never saw neater, better kept books." Despite his very full schedule, young George also did a certain amount of canvassing on the side, drawing this typical comment from his father: "The Company will be pleased by your success in this line and do not care how much time you spend in getting it provided your accounts do not get behind."[11] Eventually his salary was raised to $100 a month. Yet he never convinced his father that he was much of a businessman.

In 1882 Willie Perkins died of typhoid fever. Even this tragedy did not lead his father to give George more scope in the family business. "I don't see how [Father] is going to get along without Willie," Mrs. Perkins wrote, and George's biographer must express equal mystification. A man meticulous to the point of fussiness, Perkins had inundated Willie with work as soon as the

boy demonstrated a willingness and aptitude for it. While only fifteen Willie was laboring over hundreds of forms, filling in dates, ruling lines, and making entries on them. Two years later he was taking his father's dictation, filling letterbook after letterbook of correspondence, and as time passed his responsibilities constantly increased.[12] Now someone else had to do all this work, and Perkins was already fully occupied himself, but still he did not turn to George for help. Instead he took his wife, and later little Eddie, along on his trips. He seemed convinced that George was not cut out for an insurance career. Shortly after Willie's death he purchased a small grocery store on Cedar Avenue in Cleveland and put George in charge.

That Perkins could conceive of George making a success of the grocery business is a further measure of his misunderstanding of the boy's nature. "[George] was never happy in the store," his sister Emily recalled in later years. "He loathed detail and the store was all detail. He loathed mess and dirt and the store was always messy and dirty." He did not mind that his father expected him to continue to manage the books at the insurance office, or that he had to devote long hours to keeping track of the store records too. (Emily, who was supposed to take care of this side of the grocery, readily admitted that double-entry bookkeeping was beyond her. "Seldom could I make the books balance," she said. "George could always make them balance for me. I do not know where he learned bookkeeping, but he seemed to have a head for figures and never made an error.") But the hundreds of petty transactions over a dozen eggs or a bunch of carrots, the constant haggling with housewives, bored and disgusted him. As a result, his father was soon complaining of his conduct of the grocery just as he had of his work in the office.

In his travels about the Middle West as agency supervisor, the elder Perkins kept a sharp eye out for bargains in the local produce markets, and he expected George to keep him constantly advised of Cleveland prices, so that he would know when to buy. His son was rather remiss in this duty and received many carping letters as a consequence. "You must be under a mistake as to what he expects of you," his stepmother finally told him. George should send "frequent if not daily accts of the store's sales & the Cleveland mar-

kets."[13] Further, the young man did not always dispose of the products shipped in by his father on the most advantageous terms. Once he received three hundred dozen eggs from his father, who had purchased them in St. Paul at nineteen cents a dozen. George promptly unloaded most of them at twenty-three cents to a Cleveland commission house, probably to avoid the bother of dispensing them piecemeal to dozens of customers and retail merchants. His father promptly sent him a long essay on how to sell eggs, the gist of which was (there were figures to prove the point) that after allowing for freight and spoilage, George had made a total profit of fifty cents on the transaction. By the summer of 1883 Perkins was ready to give up—he purchased a farm in Kansas and considered establishing George there as a sheep raiser. But George evidently drew the line at sheep—he was amazingly amiable about most of his father's plans for his career—because nothing came of the idea. Shortly thereafter the grocery was sold and George resumed full-time work in the insurance office. He became the agency cashier at $100 a month.

As time went on his father's complaints subsided somewhat. The business was moderately prosperous and the Perkinses gradually accumulated a little property. By 1885 they were able to send Emily, who suffered terribly from hay fever, to a northern resort for the entire summer. But in March, 1886, his father died of pneumonia, and George faced the first major crisis of his business career.

They buried the elder Perkins on March 31, 1886. Returning from the funeral, his son faced the future as a responsible, independent adult for the first time in his twenty-four years. The father had left a little property and $30,000 in insurance, but his main asset had been his position as manager for Ohio, and that could not necessarily be inherited. He had also left George a family to support, and a stern Presbyterian sense of obligation. "My father was gone," George recalled during a later crisis in his life, "but he had left me something to fight for and I resolved to do my very best."[14]

Would President Beers let him take over his father's job? George resolved to see this question answered in the affirmative. Already he had received a telegram from Beers placing him temporarily

in charge of the office under the supervision of William J. McCormick, Superintendent of Agencies for the region. But since such positions were not often turned over to unknown youngsters, George knew he must act quickly to convince Beers of his worthiness.

Shortly before his death Perkins had mentioned that April 16 was Beers's birthday, and that he planned to organize a special campaign to drum up a large volume of new business in "honor" of that event. There was nothing unusual about the scheme, which was a common way of stimulating the agents, but if George could organize and carry it off successfully it might improve his prospects. For the next two weeks he "toiled night and day," urging the agents to work especially hard and even taking to the road himself in southern Ohio. By the fifteenth he was able to turn in a substantial amount of new business. In doing so he told Beers that most of the credit for the drive belonged to his father, but he also made it clear that he was not only willing but able to "emulate" his father's example.[15]

Beers was impressed by young Perkins's work. Two of the Ohio agents, E. J. Pocock and J. A. Hazard, had already written reminding him that "in olden times when the great Prophet went to Heaven in a Chariott of fire his mantle fell on the shoulders of a worthy successor," and suggesting that he "allow the Manager's mantle to fall" on "the shoulders" of George W. Perkins, Jr., a most unusual tribute under the circumstances.[16] But Beers was subject to other pressures of a more compelling sort. L. C. Vanuxem, general agent for Pennsylvania, wished to expand his operations into Ohio, and a man like Vanuxem had tremendous influence. For all practical purposes a general agent was an absolute monarch in his area, the sole contact between the home office and the solicitors who actually sold insurance in that region. He received commissions on all policies sold, hiring the subagents and paying them out of his own pocket. He submitted monthly reports and payments to the home office, but otherwise the high command of his company had little control over his activities. Potentially the job could be very lucrative; a few general agents took in over $100,000 a year in premiums, and even after paying their subagents, such men had handsome incomes.

By threatening to take his force of agents to another company, an important general agent could get almost anything he desired from the home office. Even if it seemed shortsighted to turn over a relatively new and flourishing territory to a thoroughly established general agent, there seemed to be no real alternative. For a time Beers temporized. He raised Perkins's salary to $1,500 a year and permitted him to remain in charge of the Cleveland office for the remainder of 1886, but in the end he capitulated to Vanuxem. Perhaps unwilling to break the news to the youth himself, he telegraphed him to report to McCormick in Chicago. There Perkins learned his fate. Vanuxem would take over Ohio but would offer him a good job at a large increase in salary. The company felt an obligation to him for his labors in the months following his father's death and realized that he had turned in new business far exceeding in value his salary as cashier. But he could not have Ohio.[17]

When Vanuxem arrived in Cleveland with the formal order requiring Perkins to hand over the agency, Perkins obtained the proper receipts from him and began to stalk out of the office. Vanuxem stopped him, spoke highly of the work he had done, and offered him $6,000 a year to stay on. But Perkins had had his fill of taking orders. "No," he told Vanuxem scornfully. "I will never work for a general agent. I will never have someone else get the benefit and credit for what I do." In part, this reaction sprang from the long years of working under his father's thumb, but it also resulted from a shrewd analysis of the nature of the insurance business. "I didn't intend to get out of personal touch with the officers of our company, to step back from the line and sink my identity in another man," he explained later. In short, he took the long view of the future, turning down a 400 per cent increase in salary in order to preserve his mobility.

This intelligent and courageous decision measures George Perkins's faith in himself. Already he had begun "figuring" with other companies, and been offered a contract by the Michigan Mutual of Detroit. But at this point his stepmother intervened. She wired President Beers explaining the situation and asking him, on sentimental grounds, to find George a place that he could accept in the New York Life organization. In those days sentiment played

a large role in the insurance business. Old Perkins had been "loyal" for years; he had had no truck with rival companies, which were constantly trying to steal good men. (Indeed, the elder Perkins had been an expert at stealing the agents of these very rivals. For example, once in Cincinnati he successfully "figured" with a crack agent of the Union Central Company in a hotel room directly across the street from the Union Central's home office, and the same day signed up the biggest agent of the Mutual Benefit Company.)[18] Beers also realized that young George had literally grown up in the service of the New York Life. The boy had real ability too; letting him go to a rival might be unwise as well as coldhearted. So he heeded Mrs. Perkins's plea, and offered George a contract to sell insurance in Indiana with a guarantee of $3,600 a year, plus expenses. He also promised him $1,500 as a bonus for the insurance he had sold in 1886 while working on salary as cashier.

Perkins accepted this offer, but it was not entirely to his liking. Indiana was not a very good territory; competition was keen and the market for insurance had been pretty thoroughly exploited. "I didn't propose to go to Indiana without trying an experiment elsewhere," he explained later. So he asked Beers for a leave of absence before settling in Indiana in order to make a trip to Kansas. Beers agreed to this, and in February, 1887, George and his stepmother set out for Wichita.[19]

They arrived in the midst of a fantastic boom. The spirit of speculation, a local historian has recorded, was like "a microbe" that infected everyone. Newcomers quickly succumbed to its fever, "in one week they became as wild as their fellows and joined the maddening crowd." Real estate prices skyrocketed as "magnificent business blocks" were laid out in cornfields and fortunes were made almost overnight.[20]

Everyone seemed to have money, and the town, Perkins discovered, was almost virgin territory so far as insurance was concerned. Perkins was a tall, personable young man with dark curly hair, clean-cut features, and unlimited confidence in both himself and the product he was selling. He used the direct approach, uncommon in those days, and went straight for the biggest men in the community. A $10,000 policy was then considered large; Perkins sold six $25,000 ones in a few weeks and by the end of February

had written a quarter of a million dollars' worth of new business.[21]

These were probably the most critical days of his business life. Presumably he was on vacation; the home office had no control whatsoever over his movements. He had found a rich lode ready for exploitation, and, completely free from the restraints of the past, he had in a short span proved himself. Another man might have been content with Kansas. But George Perkins was never to be content with the Kansases of the world. Rumor reported an even greater boom further west. "I heard about Denver," Perkins explained simply, "and went there."

Denver was like Wichita many times over. Everything was booming—a city block purchased for $6,500 in 1874 was sold for $205,000 in 1888. Newly rich men proved to be eager customers. Perkins spent March selling $25,000 policies and then returned to New York to confront the home office. He asked for control of the entire Rocky Mountain area, but, despite the wealth of personal business he had written, the company would not hear of it. "The officers," Perkins later noted, "were pleased and all that, but, of course, I would hurry right off to Indiana."

Instead he went back to Denver, "ostensibly to gather some odds and ends, but actually to do the hardest work of my life." His purpose now was not so much to sell insurance as to develop an organization; surely this would force the home office to see things his way, but if not, some other company certainly would. He stopped in Cleveland to recruit J. A. Hazard, one of the agents who had spoken to Beers in his behalf when his father died. Out in Colorado he rented office space, deciding, with Hazard, that they would soon be millionaires.[22] He persuaded N. Maxcy Tabor, son of United States Senator Horace A. "Silver Dollar" Tabor and himself a popular hotel man, to sell for him, a great coup because of the Tabors' connections and prestige. Throughout April and May he built up his team and by June he was forwarding hundreds of thousands of dollars' worth of business to New York. By the end of the year he personally had sold $735,000 worth of insurance and his organization's total had reached $2,400,000.[23] He was ready for a showdown with Beers.

In December, 1886, George had been pushed out of Ohio by a powerful and already established general agent. Less than a year

later, he had put himself in exactly the position that Vanuxem had held with reference to the Ohio agency. Now *he* could exert sufficient pressure to make Beers squirm. Here is his account of what happened:

> When I again went to New York I had earned $23,000 in commissions . . . exactly $23,000 more than I ever got.* I laid the whole situation before Mr. Beers. . . . He was a sagacious man, and pretended that he had not known of my work in Colorado. He complimented me on my success, but he ordered me to Indiana. I went to my hotel, consulted my mother, who always traveled with me, and then wrote Mr. Beers a letter. I thanked him for his courtesy to me, and told him I would remember his kindness, but that I was going to hunt another job. Well, they didn't wait to write to me, but sent a man straight to the hotel. So I negotiated with Mr. Beers and was on the point of signing a commission contract for Colorado, Utah, New Mexico, Arizona, and Wyoming, when a man who knew something about that country came in . . . and said to Mr. Beers: "Why, that young fellow will make $100,000 a year in no time." Accordingly, the contract fell through, and I hired out for $15,000 a year.[25]

"I hired out for $15,000." That simple sentence marked the end of one era and the beginning of another both for Perkins and for the New York Life Insurance Company. The mysterious Westerner who prevented Perkins (temporarily) from making a hundred thousand a year was, unknowingly, a great revolutionary, if, indeed, he did what Perkins claimed. For the contract that Perkins signed on December 31, 1887, was a revolutionary document. It made him not a general agent but a sort of supervisor. He was given power to do what he had already done—set up an office, enlist agents to work for the company on commission, forward premiums, and distribute policies—but he was to be paid a salary, not a commission.†

This was a vital step toward control by the home office over the actual solicitors in the field, which in time was to be made a universal practice by the New York Life and then by many other

* His memory was at fault here, for he actually received a commission of 50 per cent of the first premiums and 5 per cent of the first renewal on all the insurance he had sold. His traveling expenses were also paid by the company.[24]

† He was supposed to turn in a nominal amount of personal business, but even this requirement was soon dropped as his managerial duties expanded.

insurance companies. It is difficult to tell who was actually responsible for the terms of the agreement. Perkins (years later) said that it was his father who first convinced him of the inefficiencies of the general agent system, but there are no records to support this. His own frustration over the Vanuxem affair in Ohio may have started him thinking about the problem. But it seems obvious that he was at least a willing partner to the arrangement. Tradition ran in the other direction and his personal bargaining power was such that he could surely have made a more conventional settlement had he wished. Perhaps, once again, he was simply taking the long view of his own future. As a general agent he might make a great deal of money quickly, but as manager he would have a position in the company hierarchy. In any case, Perkins found himself in control of the company's entire operations in Colorado, Wyoming, Utah, Idaho, and New Mexico. He was twenty-five years of age.

CHAPTER II

MASTER OF COMPETITION

GEORGE PERKINS decided to accept a salaried position because he believed that greater rewards, in personal satisfaction as well as in money, could be won in the organization and management of the insurance business than in the selling end. He was a brilliant salesman; salesmanship had brought him his great opportunity. Yet of his twenty-eight years in the business, he was primarily a seller of insurance for only a few months. After one splendid splurge in Wichita and Denver, his days as an active agent were over.

The Colorado branch grew rapidly. In 1886 the Equitable and the Northwestern Mutual had completely dominated the area. During Perkins's first year the New York Life more than doubled the sales of the Northwestern and came within a few hundred thousand dollars of reaching those of the Equitable. In 1888 sales easily exceeded the unbelievable heights of 1887, and the New York Life surpassed all competitors in the area by a wide margin. By the early nineties, million-dollar *months* were not uncommon in the Denver office. Perkins did not share proportionately in this bonanza, for his salary was fixed by the five-year contract. Undoubtedly some of the crack agents like Hazard and Tabor made far more than he did in these years. But he saved money, kept a careful check on his assets, and gradually accumulated a comfortable capital. In November, 1888, he valued his holdings at $30,000, in 1890 at $48,000, in 1891 at $51,000.[1]

He settled his family in Denver, installing Eddie as cashier in the office. George was seldom there himself, however, for his superiors soon expanded his area of operations to cover the entire trans-Mississippi region. He became Inspector of Agencies, a sort

of trouble-shooter who roamed the West acting as liaison between the home office, the general agents, the men in the field, and the policyholders. It was interesting and important work, and in some respects the period from 1888 to 1892 was the happiest of his life.

This era was ushered in, however, by a series of romances which plunged George into emotional turmoil. In 1884 a lawyer and insurance agent named Flamen Ball had moved his family from Cincinnati to Cleveland, settling down in a residential district near the Lakeview Cemetery, a few blocks from the Perkins home. Ball had a daughter named Evelina, who was impressed when she noticed George devotedly escorting his mother or sister to a concert or play, or poring over business papers on the streetcars. One day when she and a friend passed George and his sister in the street she asked her friend who they were. "That's Emily Perkins and her brother, George," the friend replied. "He is an awful flirt." Evelina, being a very proper and rather shy young lady, was immediately on her guard. But a little later she was introduced to George at a church social. He certainly was agreeable, and a perfect gentleman as well. He noticed that she was wearing a corsage of arbutus and inquired politely as to what the flower was, for he had never, said he, seen such blossoms before. Gradually they became friends, and by the summer of 1885 something of a romance had developed. They were both in the church choir, and George took to escorting Evelyn, as he called her, home after rehearsals. Soon he had presented her with a photograph of himself (which she thought very handsome).[2]

But when the affair began to seem serious, George's stepmother raised objections. Emily Swan Perkins, perhaps because she was not actually their mother, adopted a fiercely protective attitude toward all the Perkins children. She was a woman of powerful will and moral fervor, and extremely articulate. "You think I am too fearfully positive in my opinions," she once admitted to George. "I cannot help this." She was also something of a snob. When George was just a boy, for example, she wrote him: "About the club party—I had rather you would not go, for this reason. I don't like that *crowd* on Adams St. Socially they are not your equals. . . . So don't go, but be polite in excusing yourself."

Flamen Ball was not a very accomplished breadwinner. He had wanted to be a doctor, but his domineering father, a former law partner of Salmon P. Chase, had insisted that he study law instead. Unhappy in the legal profession, Flamen Ball had done poorly, and when he finally switched to the insurance business he did no better. The family existed in proud and genteel poverty. When Emily Perkins noticed George's growing fondness for Mr. Ball's daughter, she objected strongly. The Balls, she insisted, were simply not up to the Perkinses socially. George was devoted to his stepmother, and at this stage in his life somewhat overawed by her powerful personality. But he was rather headstrong too. He did not break off with Evelyn.

Finally Mrs. Perkins went to the young lady herself. "She showed me very plainly one night that she did not approve of me or his attentions to me," Evelyn recalled many years later. "So I told him that he mustn't come to see me any more. It was then he told me that was the reason he hadn't asked me to marry him. I told him he would never be happy with her disapproval and we must not think of marriage."

By this time his father had died, and shortly thereafter George left for the West. He and Evelyn agreed that correspondence would only be frustrating, but each promised to let the other know if he or she fell in love with someone else.[3]

It was a sad parting, but these were eventful days for George and he had little time to brood over his lost love. Out in Denver he naturally joined the local Presbyterian church and soon was singing lustily in another choir. Of course, there were girls in this choir, and among them the two Mulhall sisters. George (being an "awful flirt") noticed these girls, and so did his brother Eddie, who was then nineteen. They were smitten. A double romance developed rapidly. Both boys wanted to marry; the girls and their mother were eager for union with the spectacularly successful Perkins boys. But again, Emily Swan Perkins objected.

At this date it is no longer possible to present a fair account of what happened in Denver during the summer of 1887. Written records of such matters seldom exist, and the participants have all long departed this earth. Even the first names of the girls have been lost to history, and their side of the story cannot be told.

George and his stepmother exchanged letters discussing the situation but they were not writing for posterity and they left out much information necessary for reconstructing the affair. Furthermore, Emily Perkins later burned all George's letters on the subject. (She ordered him to burn hers too, but George was always a string saver and did not do so.) As a result we have only Emily's side of this triangular conflict and our image must surely be distorted.

But this much seems clear: Mrs. Perkins was convinced that the Mulhalls were cynical fortune hunters and she simply overwhelmed the boys with the vehemence of her conviction. The Mulhalls were "calculating your eternal ruin," she said. "Everything sleek, soft & lovely as long as you seemed to be enslaved, deaf, blind & insensible to all the misery you were causing elsewhere but like a tiger when you showed the first ray of loyalty to me. . . . I *believe* that further abasement before either Mrs. M or her daughter[s] will only add to their boldness." Young Eddie capitulated completely before the force of this assault. Indeed he did not marry until he was over forty. For more than a year he was afraid even to attend services at the Presbyterian church, and his stepmother finally had to tell him "to stay out of a choir at present" but to "go regularly to ch[urch] like an independent being." "I tell you George," Eddie wrote his brother, committing a slip of the pen that Freud would have found most revealing, "Mamma has such traits as a few women would be proud of, and it is no wonder with her logical arguments, she can mould *me* as she can, and convince us both where honor and duty lies."[4]

George was less pliable than Eddie. First he gave in to "Mamma," then he rebelled, and finally he became convinced that the Mulhall girl was not for him. By June, 1888, Mrs. Perkins could say: "I appreciate the love & respect which you have shown me in this! It is a crown of glory to my head to have your loyal love and more than all to have your respect and solid belief in my principles."[5]

But George's emotional difficulties were by no means over. The final break with the Mulhall girl came in the spring of 1888; some time later in the year, on a business trip to Cleveland, he apparently picked up with an old flame named Maria Ford. Maria

was a "happy go merry" girl who, if Mrs. Perkins is to be believed, considered George a great prize. After the foundering of two romances on the rocks of maternal disapproval, George was easily convinced that Maria was his ideal. Things progressed at a rapid rate—although business kept George away from her side—and by March, 1889, he was ready to propose. Once again Emily Swan Perkins was horrified by his choice. She knew the Fords and thought even less of them than she did of the Balls. Maria was too forward. "If you will watch her performances . . . you will see an exhibition that would *disgust* any clear headed man who wanted to do his *own* courting," she wrote George. "Her inscription on your necktie case was the derision of all who saw it."[6]

George, however, was determined to go ahead. But for some reason—it had been completely overlooked during the Mulhall affair—he remembered his promise to write Evelyn Ball before marrying another. He wrote her, but when he received her reply he was thrown into confusion.

Evelyn's letter no longer exists. Mrs. Perkins evidently consigned it to the flames along with all of George's romantic correspondence when his choice was finally made. But it was a much-talked-about document and its contents are not in doubt. It was handed to George in the library of the Perkins home on Champa Street in Denver on April 6, 1889, at a moment when he and his stepmother were in the midst of a hot argument over Maria. Evelyn wrote that she wished him well; she held no grudge; but she still loved him, and always would.

Of course this letter was most disturbing to both George and his stepmother. They discussed it briefly, and she could see that it had aroused old memories. When he left Denver the next day, she made an important decision. Clearly George was going to get married. He had told her as much, but even if he had not, his actions over the past two years made it obvious that he wanted a wife. This situation was acutely distasteful to Emily Swan Perkins, who was a very possessive "mamma." Eddie had been forestalled; her namesake, Emily Swan, showed no signs of breaking away (Emily, as a matter of fact, never married). But George seemed determined. Better make the best of it, and from Mrs. Perkins's point of view, the best was clearly Evelyn Ball. She therefore

began to bombard George with letters designed to convince him that "Miss Ball" was better for him than "Maria."

> I have tried to set these two girls up honestly before my mind & compare them [she wrote]. As to beauty of face 1st, Miss B's is far the best. Of Form, Maria's is best. Complexion: Miss B's is a 1000 times ahead. Health: Miss B is probably the stronger of the two—a good deal so. As to personal neatness she must be *away ahead* also. . . . As to housekeeping & practical work Maria is ahead & for a good reason, she has been raised in the midst of cooking by a Mother who makes it her *god* almost . . . while the other has had poverty, obscurity, no opportunity to learn & has never been trained to think that eating was the main business of life. As to fitness to preside over a home, to impress strangers favorably, Miss B is ahead surely. As to industry & good disposition I should say M was the most industrious but Miss B far the pleasantest disposition & the most open and cheerful & intelligent & fit to grace a home such as you can furnish not only with *food* but with good taste & good manners.

"Neither of these girls was my choice," she admitted, "but you are going to marry soon & I believe . . . you will not wait to choose but between these two." Evelyn should be the one.[7]

George could not make up his mind. A return to Evelyn would be very embarrassing. He would have to admit that he had been in and out of love with two different girls in less than a year, and attempt to convince her that such inconstancy would not recur. It would be far less awkward to propose to Maria. But once stirred, the memory of Evelyn would not leave him. "I *must* & *will* do what I believe will . . . bring the most happiness to Miss B," he wrote gallantly. His stepmother's persistent arguments reinforced this conviction. She threatened never to speak to him again if he married Maria, and begged him to follow his better nature and face the "self abasement" that confessing his past "sins" to Evelyn would require. Having done so, "if she can still love you *marry her*," she urged. She also threatened to write Evelyn herself explaining George's behavior if he did not do so on his own. George soon decided to go to Cleveland to see Evelyn, and once there, the problem resolved itself quickly. All was confessed; all was forgiven. They were married on August 6, 1889.[8]

Marriage caused no noticeable change in the pattern of Perkins's

life. He rushed to Cleveland for the wedding and then swept his bride off on a combination business trip and honeymoon. Evelyn claimed later that it was more than a year after the wedding before she completely unpacked her honeymoon luggage. They crossed and recrossed the country on every railroad west of Chicago. On the cars they read, drew plans for the dream house they hoped someday to build, and played two-handed pinochle. In the towns they visited with agents and did a good deal of entertaining. "I was never lonely," Evelyn Perkins said many years later, "and my husband was always busy." In short, life was hectic and they were very much in love.[9]

The American life insurance business in the 1880's was in the midst of a period of chaotic expansion. Beginning as a minor offshoot of marine and fire insurance companies, life insurance had first expanded in the forties as a result of the development of cooperative, or mutual, companies. These mutuals (the New York Life was one of the first, founded in 1845) had to achieve large size in order to be efficient and actuarily sound, and in searching for policyholders their founders discovered the value of aggressive person-to-person selling and of advertising. The demand for expansion led also to competition both for customers and for agents to reach these customers; this competition had the general effect of improving the benefits provided in the policies and raising the commissions paid to the agents, but it also led to waste, sharp and misleading practices, and occasionally to outright dishonesty. All of these forces were in operation by the late forties, but the man who brought them into focus was Henry Baldwin Hyde. Beginning his career at the age of seventeen as a clerk for the Mutual Life, Hyde rose rapidly. In 1859, when he was barely twenty-five, he started his own company, the Equitable Life Assurance Society. His methods were aggressive and somewhat unethical. He rented an office in the Mutual's own building and hung out a huge sign, that completely dwarfed the Mutual's, to advertise the new company. He paid fat commissions to agents for new business, offered prizes and bonuses to what became known as "big producers," and raised salesmanship to the status of an art. His persuasiveness is portrayed in this comment by a staid historian of the insurance

business: "The men who worked for him came to believe that the Equitable was as good as Hyde pronounced it to be; they even believed that they were themselves as good as Hyde told them they were."[10]

But Hyde's most important contribution to the business was the development of tontine insurance. The original tontine was invented by a seventeenth-century Italian named Lorenzo Tonti, who persuaded Louis XIV to adopt his scheme as a means of raising money painlessly. Tonti's idea was simple. A large group of people loaned a fixed sum to the government, and in return divided the annual interest on the money among themselves as long as any of them lived. As they gradually died off, fewer and fewer individuals received increasingly handsome payments. The final survivor, a widow named Charlotte Barbier, passed her last days, we may safely assume, in the lap of luxury.[11] Tontines, however, had long passed out of fashion when Hyde thought of adapting the idea to the standard life insurance policy. Instead of paying annual dividends in the form of cash, lower premiums, or increased coverage, Hyde "deferred" all dividends for a stated period of years. Policyholders were still protected against death up to the face value of their contracts, but if they passed on before the "tontine period" ended the heirs lost all right to dividends. Survivors thus received not only their own dividends but also those of the unfortunates who had died or permitted their policies to lapse. The tontine policy was psychologically appealing because it stressed living rather than dying, and it greatly increased the financial power of the companies, which accumulated vast sums in deferred dividends for investment and profit. All the large companies, including the New York Life, were forced to copy Hyde's methods, and all grew rapidly after 1867, the year of the first tontine policy.

In 1886, when Perkins began his phenomenal rise in the business, life insurance sales were at an all-time high and about to expand even more rapidly. A great deal of concentration had already taken place in the field, with three companies, the Mutual, the Equitable, and the New York Life, far surpassing all others in the volume of their transactions. State restrictions on the business, never very severe, were relaxed about this time to permit

more liberal investment policies, a further impetus to expansion and profit. And the vast potentialities of the American West were just beginning to be tapped by the great tontine companies.[12]

Perkins's position as Inspector of Agencies brought him into contact with nearly every aspect of the New York Life's business outside the investment field. It was excellent training, and the study of his activities is an excellent way to learn about him and about the life insurance business as it was conducted around 1890.

George L. Miller, editor of the Omaha *Herald,* has left an impression of Perkins at this point in his career. Perkins had descended upon Omaha with a special crew of crack agents and so captivated the influential Miller that he got from him a letter of introduction strong enough "to borrow $50,000 on." He even persuaded the editor to serve as a figurehead manager for the Omaha branch. Perkins, Miller recalled in 1905, was "a tall, slender, black-haired, black-eyed young man" endowed "with an alertness and energy of mind and body which always means success." He could be charming and witty in rare moments of leisure, but his "whole mind and soul were absorbed in the business of life insurance."

This tremendous vitality and absolute faith in his profession were Perkins's most valuable assets. "Our profession," he wrote a friend who had been persuaded to sell insurance, "requires the same zeal, the same enthusiasm, the same earnest purpose . . . as a Minister of the Gospel. . . . Nine men out of every ten will to-day admit that life insurance is a good thing. The great question is to get them to decide to accept it. In the same way nine men out of every ten will to-day admit that they ought to be on the side of the Church. The great question is to get them to publicly say so." His father's evangelism permeated all his thinking about insurance. Just as George Senior had sought to save souls for God, so young George sought to bring the ignorant, the irresolute, and the misguided into the fold of the New York Life Insurance Company. When an experienced agent complained about competition in his district, Perkins cut him off by declaring that if other companies were selling insurance he could too—"*no* excuses are in order." In a candid moment he confessed to President Beers: "I sometimes think that I am getting to a point in my greed for

business in all directions where *nothing* in the way of results will be *entirely* satisfying."[13]

Perkins was later to make large use of bonuses and prize contests in the drive for more business, but at this period he placed greater emphasis on close contact with the agents and on intensive organization. There were 350 men selling insurance for the New York Life in his district and he soon came to know all of them, together with their quirks, foibles, and special virtues. His letters to President Beers show how clearly each man was pictured in his mind: X, who needs prodding; Y, who thinks only of his own pocketbook but who can sell insurance to prospects that other agents have despaired of reaching; Z, who works best when set in competition with a rival agent. Although his own success had been made in selling large policies to prominent people, he saw that the over-all growth of the company depended more upon capturing the average man who could afford a few thousand dollars' worth of insurance at most. "I am going to make a persistent effort," he told Beers in 1891, "to . . . bring even the smallest agent to a point where he will at least do something every month." The objective should be to sell "the largest possible number of small policies."

Perkins's headquarters consisted of two small rooms in Chicago's Rookery Building. Until 1891 he had only a single stenographer, Sarah Hunt; later a clerk was added. But most of his time was spent on the road, and in dealing with agents.[14]

The insurance agent was (and still is) a complicated creature to manage. Extroverted and individualistic by nature, he liked to do things his own way. He was easily offended by orders or "suggestions" from the home office, yet he responded eagerly to encouragement and praise. The agent could never understand why company doctors turned down some of his healthiest-looking applicants, why commissions could not always be increased, or why advertising budgets were limited. Sometimes he lost interest and went off fishing just when his company was opening a drive for new business; sometimes he grew discouraged and let good prospects slip through his fingers. Always he needed inspiration, new ideas, better policies to sell.

Many of the problems faced by Perkins can be seen in his rela-

tions with an agent named E. Duncan Sniffen. Early in 1889 Perkins sent Sniffen into Montana to organize an agency there. The New York Life had done only $90,000 worth of business in Montana in 1888, whereas the Mutual and the Equitable were well established. Sniffen was empowered to open an office at company expense in Helena (the rent was not to exceed $25 a month) and was given a small advertising budget. He was a hard worker, although Perkins believed him to lack imagination. By the middle of May he and his subagents had sold over a quarter of a million dollars' worth of insurance. There was little profit in this business, because in the face of stiff competition, from the Equitable particularly, Sniffen had been forced to grant lavish rebates to most of his customers. However, this was to be expected and Perkins soon came to revise upward his opinion of Sniffen.

But as Sniffen became more successful and more aggressive he began to make difficulties. By the spring of 1890 he was demanding an increase of 5 per cent in his commissions, bombarding Perkins with telegrams which stated that he was in imminent danger of losing all his subagents to rival companies unless he could increase their commissions. "RANSOM WHITE OF THE EQUITABLE HOME OFFICE NOW IN HELENA," he claimed. "I FEAR FOR SHARP AND SMITH." An appeal like this called for a delicate balancing of many facts. To lose a crack agent was a disaster, but to raise commissions was almost equally undesirable. In this case Perkins decided that Sniffen was bluffing. He knew that Sharp, for example, was personally devoted to Sniffen and unlikely to desert him. He also knew exactly what commission Sniffen was already paying his friend Sharp, and that Sniffen could increase it "materially" and still make a profit on Sharp's business himself. He therefore refused to alter Sniffen's contract, though he was careful "to let him down easy."[15]

As Sniffen developed his agency he caught the occupational disease of the insurance business—expansion fever. By the summer of 1890 he was demanding wider pastures in which to browse, and it was Perkins's job to find them. In search of a solution, Perkins recalled that the powerful Minnesota general agency of Parker and Gregory was in an almost moribund condition. But how could he persuade Messrs. Parker and Gregory to allow the

interloper Sniffen to fatten on their preserves? Perkins went to St. Paul in September with this plan: For three months Parker and Gregory should dissolve their partnership, Parker taking the city of St. Paul and Gregory Minneapolis. Under a special contract offering a bonus for a certain volume, they should "compete" for business for the rest of the year. Sniffen was also to be turned loose in the region for this period, but with the stipulation that his agents must not sell any policy larger than $10,000. Duluth, the other major urban center in the state, was to be an "open" city; all three general agents could attack it at will. Somehow Perkins convinced the partners that this was a good idea. He seems to have roused them from their lethargy with his infectious enthusiasm and confidence, for he boldly predicted to President Beers that the plan would produce a great deal of business.

Two weeks proved him correct. Parker and Gregory bestirred themselves mightily; in that short time, each sold more than twice as much as they had sold together in the previous six weeks. Sniffen, sweeping up the crumbs, sold $147,000 in new policies in Minnesota during that period as well. By mid-November the New York Life's Minnesota business was booming. Dozens of letters from enthusiastic agents poured down on Perkins—a sure sign that morale was high. Before the contest period was over Sniffen had added considerably to his income, and Parker and Gregory were completely "revived." "It would have been impossible," Perkins proudly wrote Beers, "to have struck a chord that would have responded as quickly as this one of separating the two men and pitting them against each other for three months."[16]

In the spring of 1889 the New York Life's actuaries developed a new type of tontine insurance called the "Distribution Policy." The distinguishing feature of this plan was that the policyholder paid a single premium for the first two years, which (while larger than term insurance) was smaller than two ordinary yearly premiums. Later premiums under the policy were a shade higher than ordinary ones, so that at the end of the tontine period the total premiums were the same. The theory was that customers would be attracted by the apparent rebate in the policy, and that a man who had paid for two years would be less likely to drop his policy than if he had paid for only one. In addition to these largely psychological

attractions, the plan had the real advantage to the customer that after ten years of payments he could borrow the price of one annual premium from the company. This proviso made the policy especially attractive to men of large but uncertain income, and its introduction was viewed by the company officials as a major event.

Perkins decided to use the distribution policy sparingly, as a sort of special deal to be granted in highly competitive areas and for unusual purposes. When a New York Life official wrote him suggesting that the new policy be turned over to all general agents, he dissented strongly. And in his own district at least, he had his way.

Holding back the policy seemed to have a psychological effect on both agent and customer. Perkins soon found that he could persuade a crack agent to take on the policy at a commission 7 per cent lower than on "regular" tontines. During the summer of 1889 he experimented with selling it himself in Omaha and Denver, landing a previously unapproachable citizen with a $50,000 policy and selling nearly half a million dollars' worth in three weeks. He used the policy to entice a highly desirable Kansan into the service of the New York Life and to placate a powerful agent in California who was threatening to "figure" with an "enemy" company. Frequently he sent two-man teams to "invade" particular cities (armed with the distribution policy and with lists of big policyholders in rival companies).[17]

Inherent in every aspect of his work was the problem of competition. The Big Three, or the "Racers" as they were sometimes known in the trade, fought desperately for business all over the country, while some of the smaller companies, such as the Northwestern Mutual, were equally formidable in certain areas. In fact, Perkins was so worried about competition from the Northwestern Mutual that when he sent his friend J. A. Hazard and an agent named Hyman into Oshkosh, Wisconsin, to experiment with the distribution policy, he made them stay in separate hotels, sent their mail to them in plain white envelopes, and urged the home office to process all their business at top speed so that their deals could be completed before the Northwestern agents discovered their presence. Hazard and Hyman even had orders not to mention the name of their company to prospects until they had them ready

to sign their applications. This sort of "secrecy" had a certain sales appeal of course, but the real reason for it was fear of ruthless competition. Competition also led to wasteful and actuarily unsound practices. Once Perkins obtained a list of men in the St. Louis area insured for $50,000 or more by the Equitable Life. He sent one of his two-man teams into St. Louis to capture these men for the New York Life, demanding "liberal treatment" of this business on the part of the home office. This meant large rebates, special medical concessions to doubtful risks, and "giving to every man who wants it a clause in his policy agreeing to accept the answers in his application as correct" without investigation. Should an applicant lie about his age, Perkins argued, adjustments could be made when he died, so the company would not lose in any case.

Competition sometimes reached absurd extremes. In 1890 the New York Life was waging a hot fight in Iowa with the Mutual for *second* place. (The Northwestern was the unquestioned leader in Iowa.) Perkins deliberately enticed several Mutual agents to Chicago that December, ostensibly to try to steal them, but really only to keep them away from their work for a few days. The raids and counterraids that all the companies made upon one another's sales staffs occupied a great deal of time, led to unreasonable increases in agents' commissions, and served no useful purpose at all. Yet nearly everyone engaged in the practice—the drive for expansion had become, by the early nineties, a mania.[18]

This passion for bigness, however, was not universal, and it did not escape criticism. A number of New England companies eschewed tontines, high-pressure salesmanship, and expensive organization; as a result they sold safe insurance at low cost. Within the "Racers" there were also a few conservatives. One of these was Theodore M. Banta, cashier of the New York Life. A long-time employee of the company, Banta was totally opposed to everything Henry B. Hyde had done to the insurance business. When Hyde had attempted to steal an important New York Life agent by offering to double his commissions, Banta had gone to the state authorities and brought such pressure to bear that Hyde had abandoned his plan. In 1887, Banta had attacked the management of his own company, castigating the "extravagant business methods"

of President Beers. An investigation within the company followed, and Beers was cleared. Banta subsided until the summer of 1891, when the company was rocked by a scandal in its Spanish-American Department.[19]

The Spanish-American Department was controlled by the firm of Sanchez and Merzbacher. It was a vast agency, encompassing Spain, all of South and Central America, Mexico, and the West Indies, and it did a vast business, the second largest in the entire New York Life organization. Because of its size and the difficulty of communication in many of the countries where it operated, the agency usually had on hand large amounts of cash due at the home office. It was considered perfectly normal for Sanchez and Merzbacher to "owe" the company half a million dollars in premiums. This situation proved too tempting for Julio Merzbacher. Taking advantage of the absence of his partner, Joaquin Sanchez, he appropriated some $419,000 in premiums by simply neglecting to report their receipt to the home office. He was not a very accomplished swindler, however, and in November, 1890, Sanchez's suspicions having been aroused, his fraud was uncovered and he confessed.

Sanchez was an honest man and he at once informed the home office of the fraud and of his personal willingness to make good the loss. Since the missing money could be recovered by attaching renewal commissions due Merzbacher and by holding back the firm's commissions on the new business it was continually turning in, the company, seeking to avoid bad publicity, did not prosecute Merzbacher, but made a new contract with Sanchez as sole head of the agency. Sanchez promptly began to pay off the debt and the incident seemed to have been forgotten, when, on June 12, 1891, the *New York Times* carried an account of the "Merzbacher defalcations" that stirred widespread speculation as to the very soundness of the New York Life.

The *Times* seized the occasion to open an all-out war on the Beers administration. Why the paper did so is not entirely clear; the practices against which it fulminated were common ones, yet only the New York Life was singled out in the assault. The publisher of the *Times* was George Jones, a daring crusader against corruption and master of an aggressive and vehement journalistic

style. More than any man he had been responsible for smashing the New York Tweed Ring in the seventies, and he was so incorruptible that he reputedly had rejected an offer of $5,000,000 made by the Tammany machine in an attempt to silence his criticisms. It is true that Jones was on very friendly terms with a Latin-American agent of the Equitable Life named V. M. Julbe. This gentleman supplied Jones regularly with items clipped from Havana newspapers, including stories that showed the Equitable in a favorable light, which he forwarded in the expectation that Jones would "be able to write a fine article on the subject" in his "valuable" newspaper.[20] But this friendship can scarcely explain the savage and persistent attack launched by the *Times* against President Beers.

Each day the paper expanded upon the Merzbacher fraud, and then, on June 16, it revealed the details of Banta's 1887 charges, and their rejection by the New York Life trustees. Other papers picked up the story, and rumors multiplied rapidly: The full story of Merzbacher's thievery had not been told. Company records were being spirited out of the country. Beers, who was in Europe on business, would never return. Beers's management of the company's assets had been criminally reckless. "An open declaration of war" against the New York Life was about to be issued by the Mutual and the Equitable.[21]

To counter these rumors the company asked the New York Superintendent of Insurance, James F. Pierce, to make "a thorough examination" of all its affairs, but this request did not end the furor. Day after day the *Times* assaulted Beers and his methods. As a result, the President hurried home from Europe, arriving on July 6, and shortly thereafter the company announced a million-dollar libel suit against the *Times*. Still the attacks went on. Cashier Banta issued a new blast against Beers in August and was promptly fired, providing the *Times* with more ammunition. "To discharge the honest and fearless employe and retain the dishonest president is a queer way to defend a great financial institution from charges of corruption and wastefulness," the paper thundered.[22] Nor did it relent through the fall and winter while the Superintendent of Insurance laboriously conducted his investigation. The company and its agents were terribly upset, for whether true or

false the charges could only result in a loss of business. The home office was flooded with mail from policyholders and agents asking questions, complaining, expressing confidence in or indignation at President Beers.

The assault on Beers opened up a new phase in the life of George Perkins. It brought out talents that he had not previously demonstrated and led directly to his further advance in the company hierarchy. When the first sensational accounts of the Merzbacher theft appeared in the Chicago papers he had immediately realized that a propaganda war was beginning. He pressed the home office for news releases that he could give to friendly editors in Chicago and Omaha and then, apparently without considering for a moment the limits of his authority, he proceeded to organize a campaign to restore public confidence in the New York Life. Already, on June 17, less than a week after the story broke, he was telegraphing "orders" to Vice-President Henry Tuck in New York:

> PLEASE DO NOT SEND ANY MORE MESSAGES TO WESTERN OFFICES. THE FIRST INTIMATION SOME OF THEM HAVE AS TO THIS ENTIRE MATTER IS YOUR TELEGRAM WHICH OF COURSE THEY ARE AT A LOSS TO UNDERSTAND. . . . I AM IN SUCH RELATIONS WITH OUR WESTERN OFFICES AS TO BE ABLE TO QUIET ANY UNEASINESS THAT MAY ARISE, THEREFORE PLEASE CONSULT ME BEFORE ANYTHING FURTHER IS WIRED.

Over the next few days he performed miracles of organization and persuasion. He convinced the managing editors of the Chicago papers that the charges being made in New York were false and malicious. The editors agreed to hold up every insurance story coming over the wires from New York until Perkins had had a chance to verify or refute it. They also opened their columns to his side of the case, printing stories, for instance, that began like this one:

> NEW YORK LIFE
> Its Wonderful Strength and Growth,
> One of the Greatest Financial Institutions
> of the World. . . .
> Facts and Figures About This Wonderful Company

The influential Omaha *Bee* promised to have its Chicago correspondent check with Perkins on all unfriendly news items before releasing them. Far into the night he haunted the Chicago editorial rooms, making sure that his statements were accurately reported and published. "The Press here is absolutely neutral, if anything leaning to us," he reported to New York on June 20, "but it is requiring constant vigilance and a bringing to bear of different influences about the city to keep them from copying a good deal of the matter than has appeared in the New York Times."[23]

In addition to "managing" the Western press, Perkins organized a campaign to bolster his own agents. He knew that a frightened or uncertain agent could not sell insurance. Even more than the customer, the agent must be convinced that the New York Life was sound. By the evening of the eighteenth he had brought the leading agents of his widespread territory to Chicago for a conference to "decide as to the best method to adopt in each state to most quickly reassure our agents and the public." He dispatched a telegram to Beers assuring the President that the entire Western organization was behind the company, though this message was designed more to encourage the organization than to reassure Beers. When the Chicago *Herald* printed a statement by drygoods merchant John Claflin (a trustee of the New York Life) saying that Merzbacher "had not taken a cent of the company's money," Perkins had a facimile of the article sent to every agent in the West.[24] He also began issuing brief printed *Bulletins* for his agents. The earliest of these, dated June 20, contained a short statement on the company's "present magnificent condition," and tried to show the agents how they could turn the *Times*'s atacks to their own advantage. The publicity offered a great opportunity, Perkins said, because everyone was now reading about the New York Life. Interviews should be much easier to get and "every one who solicits knows that the hardest thing in the business is to get an interview." The *Bulletin* also contained a routine telegram from Beers that Perkins managed to translate into a militant call to arms. "Mark well the sentence, 'Glad to have an opportunity to be thoroughly investigated,' " Perkins wrote. "Does that look as though there were anything wrong? Let us put our shoulders

to the wheel. . . . Start out early Monday morning and fight hard until late Saturday night."

The agents responsed favorably to these *Bulletins* and Perkins soon made them a regular weekly feature. They contained all sorts of advice and encouragement as well as news about company developments and the general state of business. The *Bulletin* of July 30, for example, contained this terse message: "Tacoma, Wash., July 29, 1891.—(Telegram) 'Just closed ten thousand in face of terrific competition by Northwestern, Equitable and Mutual, after full discussion of late trouble.' (signed) ADAE & ROSENHEIM."

By assuming the offensive at a time when the home office appeared frightened and befuddled, Perkins quickly won a position of real leadership in the fight. On July 6, when Beers arrived in New York from Europe, the *Times* reported that he was met by a member of his board of trustees and "a young man named Perkins, who is one of the New York Life's agents." Soon Perkins was playing so prominent a part in the company's defense that the *Times* devoted one of its daily blasts entirely to his work. "Nobody," the *Times* stated, "stands up for Beers so well as he does." The paper went on to discuss the "bushels of circulars" that Perkins was producing.[25]

Putting up a bold front, the company re-elected Beers as President late in 1891, and the crusade of the *Times* might have come to nothing but for the report of Superintendent Pierce, released on January 22, 1892. While not questioning the solvency of the New York Life, the report condemned the Beers management in harsh terms. "A state of affairs exists in the company's agency management calling for the severest criticism and condemnation," the Superintendent wrote. The Spanish-American Department was found to owe the Company $590,000, and other agencies owed it sums nearly as large. The report made additional charges dealing with unwise real estate investments, the purchase of securities through a broker who was also a trustee of the company, and other matters. Beers answered these charges in an elaborate letter to policyholders, but whatever the justice of his case (and there was something to be said for a number of his arguments), his days of useful service to the company were over. On February 8 he submitted his resignation.[26]

The trustees accepted Beers's resignation, but the general feeling of both the officers and agents of the New York Life was that their President had been made the innocent victim of malicious persecution. Perkins, who represented the agents' viewpoint, always felt that his forced retirement was "one of the most cruel and shameful things ever pulled off in this country."[27] The trustees defiantly voted him a salary of $37,500 a year as an "adviser." Few executives in the large insurance companies believed that the practices for which Beers had been condemned were evil; his removal, therefore, did not really bring reform. It was to take another, far broader investigation more than a decade later, to produce any basic alteration in the insurance business.

No one in the New York Life organization had fought harder to save President Beers than Perkins. On February 2, the very day that Beers released his answer to Superintendent Pierce's report, Perkins telegraphed a long list of agents asking them to collect opinions (presumably favorable) on Beers's statement from prominent policyholders. As many "short terse" cables as possible should be sent to the trustees over the names of these men. Perkins wired the text of Beers's statement to the agents as soon as it became available, ordering them to have it printed in their local papers as a company advertisement. Right up to the moment Beers surrendered, Perkins maintained the pressure, urging the agents to swamp the trustees with pro-Beers letters and telegrams. Finally he and the leading agents descended upon New York to exert their influence at least over the choice of Beers's successor.

The leading candidate was John A. McCall a former Superintendent of Insurance then serving as Comptroller for the Equitable, but the agents were suspicious of a man from one of their most powerful competitors. Meeting on February 10, they elected Perkins and two of his friends, L. A. Cerf, head of the San Francisco agency, and Darwin P. Kingsley of the Boston office, whom Perkins had brought into the company, to represent their interests in the "negotiations." These three men met with McCall in his office in the Equitable Building on the eleventh. McCall, according to reports, insisted upon maintaining a free hand should he become president, but he agreed to respect the interests of the agents. As a token of faith, he promised he would appoint Perkins as Vice-President in charge of all agency matters.[28] Opposition to

McCall then broke down and the trustees formally elected him. Surrounded by the trustees, ex-President Beers, and other officials, McCall next addressed the assembled agents, announcing Perkins's elevation. Harmony reigned, so complete and unquestioned that when McCall reinstated Cashier Banta a few months later, the agents accepted his decision meekly. "Very bitter pill," one man cabled tersely. "Will swallow it."[29]

George Perkins, however, accepted his promotion with mixed feelings. To have become Vice-President of a large insurance company at thirty was no mean achievement, but it was hard to tear up his Middle Western roots. "It's asking a good deal of a man to move from a city to a seaboard town," he admitted. Emotionally he did not want to make the change; he loved Chicago; perhaps he also feared the difficulties faced by a young, poorly educated, unconnected executive in the whirl of New York business and social life.[30] But he was too good a Presbyterian to deny his fate. Together with Evelyn and their infant daughter Dorothy, he made the move to a larger city and a larger world.

CHAPTER III

THE BRANCH OFFICE SYSTEM

THIRD Vice-President George W. Perkins of the New York Life Insurance Company was now a personage of some consequence. He purchased a handsome property north of Manhattan at Riverdale-on-the-Hudson, commanding a striking view of the Palisades. He joined the Westchester Country Club, the Union League Club, the Ohio Society, and other social organizations. His salary was raised to $20,000 a year; in addition he received a $100,000 bonus on the theory that his original five-year contract had not anticipated his taking on many of the duties which he had actually performed as Inspector of Agencies for the Western districts. In 1895 Evelyn gave birth to a son and heir, George Walbridge Perkins III.

Apparently he took all this success casually and adjusted to life in New York without difficulty. Since he was a native-born white Protestant of pleasing appearance and large income, a society like New York's in the gay nineties, nonintellectual and money-centered, accepted him easily. But despite his outgoing nature and numerous club connections, he took little interest in social activities. Family and work provided everything he needed in life. Only half jokingly, Evelyn Perkins used to say that his first allegiance was not to her but to the New York Life. But in the same spirit Darwin P. Kingsley, whom Perkins had brought to New York as his assistant, told Evelyn after the birth of her son: "I am in something of a quandary to know how George II manages to get on now. If he gives Geo. III as much time as he did Dorothy, I don't see how he gets to the office at all." However, Kingsley also said that Perkins ought to take a vacation occasionally, and "make arrangements which will lift some of the burden off his shoulders." "Business," Perkins himself admitted, "keeps me confined within

the four walls of this office from very early until very late, and I have scarcely a moment to give to . . . social duties."[1]

Friends were always warning Perkins that he worked too hard, but there is no evidence that he injured his health with the heavy schedule he maintained during these years. He had great vitality, and more important, a tremendous enjoyment of his work and the power it gave him. Although the old evangelical spirit of the Railroad Mission days was far from dead and his enthusiasm for insurance as a great system of social security undiminished, no doubt he also enjoyed the luxuries his income could provide. By the time he had finished developing his estate in Riverdale, it contained a swimming pool, a small ballroom, and a bowling alley; nine servants were employed to keep it in order, and in later years his daughter's beaux used to say that nine laps around the house was a mile. But he seldom entertained formally. Lavish parties and displays of opulence did not attract him at all. His extravagances were simple ones: He would spare no expense, for example, to obtain a crate of choice peaches, oranges, or apples from some special orchard he might hear about.[2]

Indeed, his attitude toward money was enigmatic. As a youth, at his father's insistence, he had developed the habit of scrimping. There still exists among his effects an old leather wallet dating from the Cleveland days, which contains some dozen scraps of paper bearing lists of petty savings: ten cents here, accumulated by walking to and from work instead of taking a street car, fifteen cents there, saved by skipping lunch. With the coming of wealth this habit persisted, despite his freehandedness in some other respects. When Dorothy was born, her proud father rushed to town to buy a baby carriage. He picked out a good one and had it sent to his home. It arrived promptly, together with a fifty-cent charge for delivery. Perkins made a special trip back to the store to protest. He argued with the clerk at length, and when informed that it was the store's policy to charge for delivery, he wrote a long letter of complaint to the owner. When that gentleman backed up the clerk Perkins paid the fifty cents, but he swore that he would boycott the store forever after, and would urge all his friends to do the same.

On the other hand, he was generous to a fault with his friends

and relatives and most scrupulous about not using his influence to obtain bargains. On one occasion his stepmother wished to buy some expensive cutlery. Perkins asked a New York Life employee to take her to a store with which the company had considerable dealings, and to draw the salesman aside and ask him to quote Mrs. Perkins an absurdly low price for whatever she wanted, billing Perkins for the difference. When this was done, the salesman said that he would be happy to sell the goods at the low price, but that Mr. Perkins should forget about making up the difference. The transaction was completed, and the New York Life man reported back to Perkins. He, however, wrote at once to the store insisting that he be billed for the proper amount.[3]

As head of the entire sales force of the New York Life, Perkins placed much more emphasis on prizes, bonuses, and competitions than he had as Inspector of Agencies, perhaps because intimate contact with every agent was no longer possible. Despite the intense rivalry between the New York Life and the Equitable, Henry B. Hyde became his great inspiration as well as his personal hero. "I have, for some time, been trying to screw my courage up to the point of writing Mr. Hyde a note asking him for a large picture of himself to hang in my room in our new offices," Perkins wrote an Equitable executive in 1897. "Somehow I cannot quite bring myself to the point of doing it, and so I have decided to ask you to intercede for me. . . . I want it not only for my room, but I want it for myself, to keep always."[4]

Perkins copied Hyde's methods and in some ways improved upon them. His weekly *Bulletins* became filled with news of contests, special incentives, and attractive prizes, as well as advice and inspiration of all kinds. Friendly competitions between individual agents or whole organizations were the most common device for stimulating business. These might range from simple contests like the one run in October, 1896, which offered the top "producer" in each area a "musical piano" worth seventy-five dollars, to the gigantic "Surprize Party" contest of 1892, in which the thirty-five agents in various classes and regions who sold the most insurance in "honor" of President McCall were brought to New York "to enjoy themselves as they never have before in their lives." The grand prize in the latter contest was a huge gold watch, while all

the winners received diamond stickpins, with the stones set to form the figures "35."

Perkins wrote the *Bulletins* himself, and while they have no literary merit they provide interesting insights into his mentality and into the mind of the insurance agent. Here are a few samples of his advice:

There are many lessons to be learned from our September Roll of Honor. . . . Each of these men wrote $50,000 or over in September; the average man asks how they did it? 1st. They worked ALL the time. 2d. They planned well. 3d. They wasted no time on hopeless cases. . . . 8th. When they talked to a man they FELT that they MUST and WOULD get him. There was no half-hearted work; THEY BELIEVED THEY WOULD SUCCEED.

Timidity is no part of an insurance man's stock in trade. Don't feel that somebody is going to get ahead of you, because you think he will write more than you will. Why, if you only knew it, he's just thinking the same thing about you.

HOW DID YOU DO IT? This is exactly what we want to find out. We mean, how do you close a man up? With this Bulletin will be handed you a blank, on which we want you to write out in as brief a manner as you can, THE ARGUMENT OF ALL ARGUMENTS used by you since the first of January that has been most successful in getting a man to pick up his pen and sign an application.

1895 is a back number with us. . . . 1896 IS KING NOW. Our allegiance is pledged to him. Come, let us enter his service with right royal enthusiasm, remembering this time-tested truth "Well begun is half done."

EXCUSE ME FROM THE MAN who comes in and says: "Mr. Perkins, I am going to write $120,000 in 1896," and LET ME SHAKE HANDS WITH THE MAN who says: "Mr. Perkins, I am going to write $10,000 of good, straight business in the month of June."

October, 1895, was the largest month in its year. What will October, 1896, be? Gentlemen, this all depends on just one thing. . . . Is your character sufficiently strong to resist drifting with the popular tide, which will be to stand around on the street corners and talk politics?

NO SMALL THINGS IN NOVEMBER . . . We have our eye on every individual man. We know his past record. We know his capabilities. . . . EXCUSES WILL NO LONGER BE ACCEPTED. Every man must do his duty. There will no longer be a place in our ranks for half-hearted, indifferent, unsuccessful men.[5]

His job, however, involved a great deal more than cajoling or threatening agents into selling insurance. He believed that the insurance business was a profession, and he strove to persuade the agents that he was right. In 1894 he spoke with pride of the progress made in this direction, "teaching men to work intelligently, constantly, seriously, as men do in other walks of life." He still spent a great deal of time on the road, signing up new agents, listening to grievances, solving local problems, attending regional conventions. In October, 1895, he organized a great meeting of agents in New York, where, besides subjecting them to inspirational talks by company officials, he opened the floor to the frankest sort of discussion of every aspect of the business. He was continually thinking up schemes to help sell policies. Some were simple, such as giving pocket knives to prospects. Others were more complicated. During the exciting 1896 election campaign between Bryan and McKinley there was a good deal of defeatism among the agents. It was not that they feared for the result so much as that they believed no one was interested in anything but the election, and therefore they slackened off in their canvassing. Perkins's antidote to this defeatism was a little pamphlet, which he sent out in huge numbers, that listed all the states and their electoral votes. Recipients were invited to predict the winner in each state and send their guesses to the company; in return they would receive a small booklet containing pictures of all the Presidents. This scheme caught on at once. Demands for prediction sheets poured in, nearly a million of them by election time, providing the four thousand odd agents of the New York Life with thousands of prospects and a revived incentive to sell insurance. Perkins later discovered that if he looked only at the way people predicted the result in their home states, he had a remarkably accurate forecast on the election—only four states failed to go as a majority of the local balloters had guessed. This scheme was used again in 1900, and in later election years as well.[6]

By the turn of the century, Perkins was recognized as one of the great sales managers of the insurance business. General conditions in the nineties made growth almost inevitable for all the big companies, but when Perkins took over as Third Vice-President in 1892, the New York Life was the smallest of the three giants. Seven years later it was the largest, and in May, 1899, it became the first company to reach the billion-dollar mark in insurance in force. Within the organization at least, credit for this growth was given to Perkins. President McCall praised him repeatedly, predicting that he would be the next head of the company. His salary was raised to $25,000 and then to $30,000. McCall gave him a free hand in agency matters, authorizing him to act on all occasions without even consulting McCall himself.[7]

Although Perkins was a brilliant competitor in the Hyde tradition, he did not worship competition. As a matter of fact, his greatest contributions to the insurance business were made by substituting regulation and self-discipline for intercompany warware. It is not surprising that he conducted an unending battle against rebating, the practice whereby an agent returned part of his commission to a policyholder in order to obtain his business. Theoretically, everyone opposed rebates except those fortunate enough to obtain them. But Perkins genuinely attacked this evil practice and reduced its prevalence considerably. As early as July, 1893, a committee of New York Life agents headed by his assistant, Darwin P. Kingsley, resolved that President McCall should "exercise every power at his command" to exterminate rebating. By September, 1895, Perkins had persuaded the Equitable to join in support of this resolution and by October, somewhat unwillingly, the Mutual had also fallen in line. At a conference at New York's Fifth Avenue Hotel, with Perkins acting as secretary of the meeting, all the major companies appointed former Massachusetts Governor William E. Russell as referee to settle disputes about rebating. Any agent who could prove that a competitor was offering rebates was to submit his evidence to the referee. If the referee decided that a rebate had been given, the offending agent's employer was bound to suspend him for one year.

This agreement, arrived at after hours of "very heated argument," did not end the rebate evil. Russell died within a year of

his appointment and there was some delay before Thomas B. Reed, Speaker of the House of Representatives, was named to succeed him. It was also very difficult to catch clever rebaters, for few of their customers would testify against them. But Perkins did everything he could to support the antirebate agreement. After Reed's appointment, he sent every New York Life agent a portrait of the new referee, and urged each of them "to regard as most sacred his pledge that he will not rebate." The New York Life was the only one of the big three companies to make a serious effort to stop the practice, instituting thirty-nine of the forty-four complaints made under the agreement in the first four years of its existence. "I fear very much," Perkins wrote McCall in November, 1899, "that notwithstanding all our good intentions . . . our men will . . . cut rates somewhat and give us business that may not renew next year." To try to prevent this, he ordered Kingsley to make a special effort to catch a New York Life man rebating and "publish it in the Bulletin at once" as a warning.[8]

One reason for the New York Life's strong opposition to rebating was that it paid somewhat smaller commissions to its agents than the other Racers. Thus its men would be at a disadvantage in any rebate war. The low-commission policy was chiefly Perkins's doing and was related to his desire to give the insurance business professional status. Over the years he gradually matured ideas that his own early experiences had planted in his mind. The insurance salesman ought to see himself as a social worker; he should have pride in himself and his work. The company, for its part, ought to take proper care of its agents and their interests at the same time that it maintained a close check on their activities. These objectives led him to make two major changes in the way the New York Life conducted its affairs: he abolished the general agent system and he instituted a pension plan for agents.

The mere existence of the position of Vice-President in charge of agency affairs was in conflict with the general agency system, for every contact between the home office and the man with the rate book by-passed some general agent. Convinced that general agents were unnecessary, Perkins pushed his new authority to the limit in order to undermine them. No general agent's contract was renewed; as each one expired the territory was reorganized as a

branch office. Efforts were also made to persuade general agents to sell their unexpired contracts back to the company. Occasionally there was trouble; in Texas, for example, the powerful Boone brothers, John T. and "Dan'l," rebelled against the new regime. However, the Boones eventually accepted positions as salaried employees, and in later years each became an Inspector of Agencies. On the other hand, Louis A. Cerf, the general agent for California, broke with Perkins over the branch office system and left the New York Life for good.

The new system gave Perkins control over the sales force, and his aggressive and imaginative use of this power was most important for the New York Life, and for American insurance generally. In the new organization, the key man in each branch was the cashier. He was a salaried employee who ran the office, supervised the collection of premiums, kept the books, and arranged for the regular transfer of funds from the branch to the home office. Completely separate from the cashier was the agency director, who also worked only for a salary. It was his task to select and train the salesmen. Each cashier and director was responsible to the Vice-President in charge of sales, George W. Perkins. So, too, of course, were the salesmen. Having been recruited by responsible agency directors instead of by semi-independent general agents, they were much more subject to home office supervision. It became far easier to organize special drives for business, to inform salesmen of the advantages in new types of policies, and to standardize commission rates.[9]

The new system did not merely reflect the desire of a strong man to expand the area of his power. It brought real financial advantages to the company. The practice of advancing money to agents against commissions yet to be earned was almost completely ended. Each agency cashier had a fund that he could use for advances, but he was also responsible for keeping these within bounds. No longer could a single great agent owe the company half a million dollars or more, as had been common under the old regime. Even more important, the cost of what were known as "renewals" was drastically reduced under the branch office system. The general agents had drawn their profits almost entirely from renewal commissions. They had to turn over most of the first-year

commissions to the subagents who sold the policies, and office expenses usually ate up whatever balance remained. For a large company, the cost of renewal commissions could be tremendous. In 1900, for example, a Mutual Life official reported that these costs were "murdering the Mutual's business." But with the general agent eliminated, the renewal commission almost disappeared, since subagents seldom received them. By the time the branch office organization had been perfected, Perkins was able to inform President McCall that "the saving in renewal commissions . . . is helping us a great deal more than we expected."

There were other savings too. Standardization of bookkeeping and accounting practices in all branches made for greater efficiency. Eventually Perkins was able to work out a system whereby the branch offices forwarded *daily* returns to the home office. Every branch office cashier maintained two bank accounts. In one he kept funds for ordinary office expenses. The amount he could keep in this account was limited. The other was for his general receipts; he could deposit money in it, but could not withdraw a cent. Only the home office could take the money out. Every day the cashier forwarded to New York duplicate copies of his cashbook and deposit slips for both accounts. Besides reducing the danger of theft and fraud, this system increased considerably the company's income from interest. The general agents had settled their balances with the home office only once a month; this meant that the average premium did not reach the company until two or three weeks after it had been paid. In 1905 Perkins estimated that the additional income resulting from daily payments amounted to $150,000 a year, which was twice the cost of operating the home office Financial Department.

The branch office organization was also more flexible than the old system. Centralized control meant that it was easy to divide branches if they grew too big, or to combine small ones when desirable. Cumbersome agencies like Vanuxem's, which at one time controlled Pennsylvania, Ohio, *and* Illinois, were replaced by a number of smaller and better integrated branches. Where formerly a handful of general agents had been the only link between the home office and the policyholder, Perkins placed the home office in direct touch with every field salesman, organizing

these contacts through a large number of local offices. By 1895 there were forty-four branches; gradually the number was increased until, in 1905, a year that marked the end of an era for both Perkins and the New York Life, there were 208. Quite clearly, the branch office type of organization gave the New York Life a competitive advantage. Most of the larger companies have come to adopt it, although the general agent is still very important in the insurance business as a whole.[10]

Although elimination of the general agent was an economical move for the New York Life, it did not greatly affect the actual solicitor, who, in effect, simply shifted from a local to a national employer. Particular salesmen might lose or gain as contracts and procedures became standardized, but taken as a whole the agents were neither benefited nor injured by the change. Perkins, however, was dissatisfied with the operation of his sales force. There was always a considerable turnover as a result of "stealing" by rival companies. This was supposed to be "normal," but Perkins considered it bad business. A man who was accustomed to move frequently from company to company was seldom entirely scrupulous in his way of doing business. He cared little about his reputation in a particular region. What did it matter if he gave rebates to favored customers, or loaded a gullible prospect with more insurance than he needed in order to fatten his own commissions? Probably in another year he would be hundreds of miles away, selling insurance to men who knew nothing of his past. The policies turned in by such an agent were seldom profitable to the company because they showed a very high lapse rate. The customer who had received a big rebate when he paid his first premium balked when billed for the full amount of his second; soon he was dickering with the agent of another company and abandoning his old policy. The customer who had been "high-pressured" into more insurance than he could manage, quickly dropped his policy too. Since the cost to the company of each new policy greatly exceeded the cost of maintaining old ones, nobody benefited from such transactions but the unscrupulous agent, who made as much money from a policy that was held for one year as from one that remained in force until it reached maturity.

The nature of this problem was clear to George Perkins; indeed

it was clear to anyone who had studied the life insurance business closely. So long as the giants were committed to what was in many ways an irrational drive toward endless expansion, they would strive for new business no matter what this business cost. But as he studied this situation, Perkins thought he saw a way to maintain the drive for expansion (which he accepted enthusiastically) and at the same time eliminate much of the loss resulting from the activities of irresponsible agents. The business of selling life insurance, he reasoned, must be made a profession. If the agent could be persuaded to settle down and become a respectable member of his community, like a doctor or teacher, sharp practices would tend to disappear and the New York Life's general cost of doing business would surely decline. These economic considerations were reinforced by Perkins's reforming zeal. Being a man of settled habits, raised to honor the strict code of Presbyterian morality, he found the unprincipled practices and wayward habits of many agents extremely offensive. Like many successful men of his generation, he was fond of advising his subordinates to avoid bad habits. "Never get drunk," he once told a young man about to take up the rate book for the first time. "When you're drunk you're crazy and what head you have on you you will need clear and alert always in order to do your business well." According to tradition in the New York Life organization, Perkins was inspired to develop his pension plan by observing the way a talented friend of his squandered his commissions while in his cups.[11]

But how to make the agent responsible and respectable? Perkins answered this question by offering the agents extra rewards not for volume in itself, but for *steady* "production." By 1895 he had decided to abandon entirely the practice of raising commissions to hold agents who were being tempted by rival companies. "It is pretty hard to stand up against such a constant battering as the Mutual Life is making just now, when a fellow knows that a few dollars here and there would go a long way towards stemming the tide," he wrote Kingsley that summer. "But we are not swerving one iota from the path we laid out at the beginning of the year, and don't intend to." Throughout the summer months he worked on his answer to this kind of competition, the "Agency Association idea." At an October meeting of branch managers and general

agents held in New York at the Imperial Hotel, he announced the details of the scheme.

"The idea of this plan," Perkins told the agents, "is to say to the solicitor . . . that if he will give up . . . any thought of going into any other business, or into any other company, no matter what the inducements may be, and will accept . . . the New York Life Insurance Company for his Company, that we will do something for him that is . . . better than any other Company can do." Any agent who would sign such a pledge became a member of the Nylic* Association. For five years he remained a "Freshman Nylic." At the end of that period, if he had sold at least $25,000 worth of insurance each year, he became a "Nylic of the First Degree." Five more years made him a "Second Degree Nylic," another five and he was a "Third Degree Nylic," and after twenty years of continuous service he became a "Senior Nylic." As soon as a man qualified as a First Degree Nylic he began to collect a bonus of fifty cents a month for each thousand dollars of insurance he had sold in the year of his lowest productivity. (A man who had sold the minimum of $25,000 would receive $12.50 a month bonus.) When he reached the Second Degree his bonus jumped to seventy-five cents per thousand, based on the smallest annual productivity of the First Degree period. A Third Degree Nylic received a dollar per thousand on the same basis and a Senior Nylic received a dollar and a quarter. Until a man became a Senior Nylic, however, he would lose all bonuses if he failed to sell the minimum of $25,000 worth of insurance for a single year, although exceptions would be made for men who were incapacitated for protracted periods by illness. A Senior Nylic, if he chose to do so, could retire and receive his bonus for the rest of his life. He could even go into some other form of activity. So long as he did not work for another insurance company his pension would continue. There were also death benefits for all Nylics.[12]

Twenty-five thousand dollars' worth of insurance per year was a very small amount to sell. The qualifying sum was set low deliberately so that it would be easy to enter the system and maintain one's membership. The bonus, therefore, was instituted

* The name, of course, was derived from the initials of the New York Life Insurance Company.

not primarily to stir the agents to sell huge amounts of insurance (although the more one sold, the larger one's bonus, of course), but to stabilize the sales force. In 1899, after the Association was well established, the minimum requirement was raised to $50,000 a year, but the bonus was then figured on the *average* of the five-year period, rather than on the lowest year. Nevertheless, membership in the organization expanded rapidly. In 1896, out of a sales force of over four thousand, only seventy-three men qualified as First Degree Nylics or higher. (Previous service was counted as half-time for men in the company before the system was established; a man in 1896 who was a First Degree Nylic had therefore been working for the company at least ten years.) By 1905 there were 153 men with that much continuous service, and the total membership of the organization was over eleven hundred.[13]

When Perkins announced his plan, the agents and managers accepted it enthusiastically, but they brought up a number of interesting questions. How would the policyholder react to the idea of mass bonuses to salesmen? What would be the attitude of rival companies? Some objected to the requirement that a man must devote his full time to insurance in order to become a Nylic. John T. Boone, at the time still general agent for Texas, was particularly vehement. "I have a man in our department who is a cashier of a bank. Can't he come in?" "No sir," Perkins replied. "He writes five hundred thousand dollars a year," said Boone. "He is the best man in Texas, and there ain't another insurance man can come within twenty-five miles of his town to do insurance business." Perkins asked why this man could not be persuaded to drop his banking connections, pointing out that his bonuses as a Nylic on that much business would be very large. Boone replied by suggesting that if this man, whose name was Bob McCauley, was smart enough to sell half a million dollars of insurance a year and still do his job in the bank, the New York Life should ask no questions. Certainly the company should not penalize him by refusing to pay him bonuses that less talented salesmen were receiving. But Perkins would not back down. Other professions were not part-time occupations; if insurance was to be considered a profession it must be worth the full efforts of those who engaged in it. McCauley could continue to sell insurance and receive his commissions. But he

could not be a Nylic unless he resigned from the bank.[14]

In addition to the Nylic plan, Perkins worked out several other schemes of the same type. There was a special Nylic for agency directors, for example. In the late nineties, a series of $100,000 and $200,000 clubs were established for the crack agents of the company. The material rewards of membership in these clubs were small (a free trip to the annual convention was the most important) but their appeal was not primarily monetary. No one unfamiliar with conditions before and after Nylic, wrote James M. Hudnut in his history of the company, "can realize or appreciate the mental impulse and moral tone which the Nylic Association and the $100,000 and $200,000 Clubs have given to the field work."[15] The historian who studies Perkins's correspondence over these years must agree with Hudnut.

The decade of the nineties was one long triumph for Perkins. He loved his work, and was utterly convinced of its social value. "Just between us," he wrote an old Cleveland friend, J. B. Fay, in 1897, "I am very proud indeed of the showing we are able to make for last year. . . . I tell you, J. B., that's the condition in which to have a corporation that is composed of nearly 300,000 members, the money of which is the most sacred trust on earth." His correspondence with President McCall and with subordinates like Kingsley and some of the agents displays qualities rarely found in the letters of business associates. Both his letters and the replies of these men were frank, affectionate, and full of their mutual devotion to the company, which they called "the Old Reliable." Once, for example, Perkins sold a $100,000 policy to a businessman who was negotiating with company officials over some property. The first premium amounted to more than $5,000 and the agent's commission was therefore very large. Instead of pocketing the commission himself, Perkins turned it over to a salesman in the businessman's home town. This kind of action made at least one salesman a loyal friend of the company; that such loyalty was common in the sales force is demonstrated by the fact that Perkins was able to organize a successful drive for business merely by offering a photograph of President McCall to those who reached a certain volume.[16]

Perkins's immediate assistants were bound to him by the closest

personal ties. D. P. Kingsley was a neighbor in Riverdale, as was Thomas A. Buckner, a young man whom Perkins had put to work as cashier in the Kansas office and who had moved up rapidly to the post of Superintendent of Agencies. Once Perkins sent Kingsley a rather abrupt and critical telegram. Such was their relationship that Kingsley was hurt rather than angered. "Old chap, a word of praise or blame from you is like a smile or a frown to a lover from his sweetheart," Kingsley told him. "So don't call me any bigger ass than you can help."[17] (Perkins was not always an easy man to work for; his energy and drive often led him to do too much of his subordinates' work for them, or rather, to limit too narrowly the area of their discretion.)

Perkins's close associates felt that he, rather than President McCall, was the real leader of the company. "Perkins [was] one of the most important figures in the history of life insurance," L. A. Cerf recalled many years later. "He made the New York Life what it was." Buckner believed that McCall knew little about the details of company operation and simply mirrored the thinking of the strongest man around him at any particular time. Another prominent member of the sales force complained that Perkins was carrying the whole burden of running the company and receiving inadequate recognition and compensation for his efforts.[18]

It was true that McCall was constantly expanding the area of Perkins's authority. By the late nineties he was asking him to reorganize the routine of the home office and even to serve as a member of the Finance Committee. "Your machine is in great working order," he told Perkins proudly. "I feel, under your . . . plans, we might put the shutters up for a fortnight or a month even, and we would find in the mailbox the 'average business of a month' on opening up again."[19] But McCall's dependence on Perkins was never unreasoning, and was more a sign of the President's good judgment than of any weakness. The comments of Perkins's associates, however, show how thoroughly he had captivated them. These men were not mere sycophants, but powerful executives who became presidents and vice-presidents of the company in the years after Perkins left it. Kingsley, for example, was President for more than twenty years. "How have two such aggressive and positive men gotten on for so long with so little

friction?" Kingsley once asked Perkins in a reflective moment. He offered no satisfactory answer to his own question, but his asking it is significant. As the century ran out its course Perkins's career approached another turning point, but before the critical juncture was reached he had one more major task to perform for the New York Life.

CHAPTER IV

CONQUERING EUROPE

THE tremendous expansion of American life insurance companies in the late nineteenth century soon carried them beyond the boundaries of the United States. High-pressure salesmanship and attractive new policy forms proved just as alluring in Europe and South America as in Kansas and Colorado. By the 1870's each of the Big Three had an extensive overseas organization and drew a significant fraction of its business from this source.[1] Foreign business, of course, was made difficult by barriers of time, distance, language, and custom. Merzbacher's fraud in the Spanish-American agency was only the most serious of many overseas problems encountered by the New York Life. General agents abroad tended to rule their territories like independent monarchs, and foreign governments imposed regulations that often seemed arbitrary and unreasonable. The craze for volume led all the big companies to minimize these difficulties, but in the general overhauling of the New York Life after McCall became President, its overseas operations were resurveyed, and Perkins soon became involved in their management and reform.

President McCall himself toured the European agencies in October, 1892, and as a result this business was somewhat centralized under a Director General for Europe with headquarters in Paris. The next year McCall sent Perkins over to study further the whole company organization in Europe. It was his first trip abroad. Together with Evelyn, little Dorothy, and his secretary, Mary Kihm, he enjoyed the crossing on the *Gascogne,* despite the March storms and a dose of seasickness. Europe, however, disappointed him. Like a typical American tourist he filled his letters home with good-natured but narrow-minded criticism of Europe

and its ways. Though he tried to learn French, he soon conceded that he had no talent for languages. "Much to my disgust my tongue does not seem to get hold of it at all," he complained. It was frustrating for him to watch Dorothy absorb foreign words and phrases effortlessly, with the wonderful glibness of childhood. (Despite frequent trips to Europe in later years he never got beyond the most rudimentary French. His maximum achievement was reached in communicating with a cab driver who insisted on careening through the streets of Paris at breakneck speed: "*Vous smashez la voiture!*" Perkins shouted desperately. "*Non pourboire!*") After a month on the Continent he wrote: "If I were to follow George Washington's example and tell the truth about it over here, I am afraid I would not get out of the country alive."[2]

Perkins was an enthusiastic supporter of foreign expansion. In 1899, his friend Alfred J. Beveridge, who had just been elected to the United States Senate, went off to visit the Far East. Perkins, in sending him on his way, commissioned him as a sort of unofficial spy for the New York Life. He burdened poor Beveridge down with a huge list of questions to be answered. "What Chinese companies are there?" "How are they organized?" "About what volume of business do they do?" "Are there any foreign companies operating in China, and if so, do they have to obtain concessions, and if so, how are these obtained?" "Do the Chinese as a race take much stock in life insurance, or would they be likely to if the business were pushed?" Beveridge was particularly interested in the Philippines, recently wrested from Spain, so Perkins also asked him to study the insurance situation there. Were other companies already in the field? What experience had they had? Perkins even asked for mortality statistics, policy forms, and premium rates.[3]

But despite this general enthusiasm, his study of the European agencies convinced him that unless important reforms were adopted the entire European operation should be dropped. Too many of the general agents, comfortably ensconced in offices far removed from New York, waxed fat on renewal commissions and made no real effort to develop new business. Foreign "expense ratios" were far out of line with those of American agencies. Over the "combined and most vigorous protests" of the general agents,

Perkins made changes designed to force these agents to operate more efficiently "or not procure any business at all."

Once again his primary aim was the establishment of branch offices, but this was a slow process. In 1895, Perkins sent Kingsley to Europe to speed things along. European representatives grumbled, and there was much hard feeling against "New York," but gradually progress was made—even the powerful Joaquin Sanchez surrendered his agency.[4]

However, a further problem complicated overseas operations. The insurance departments of certain European governments were far more exacting than the American companies in determining what constituted "sound" business practices. In the nineties Switzerland, Austria, and Germany imposed standards that the Americans could not meet. All three nations then deprived American companies of the right to sell insurance within their boundaries.

The most serious of these exclusions was the German. When it was announced in 1895, John A. McCall made a special trip to Berlin, where, along with Kingsley and William E. Ingersoll of the Paris branch, he tried fruitlessly to get the government to change its decision. Two years later Perkins made another trip to Europe himself, and by demonstrating his company's revised methods, persuaded the Austrian authorities to readmit the New York Life, but he made no progress with the Germans. In 1898 he crossed the Atlantic again, zig-zagging through Europe from Berlin to Berne, back to the British Isles, and then on to Paris, Vienna, Budapest, Moscow, and St. Petersburg. He worked at a breakneck pace. "By Jove! old fellow," he wrote Beveridge, "you ought to have been following my footsteps during the last three months." As a result of this trip the Swiss Bureau of Insurance succumbed to his blandishments, but the Germans remained aloof. Although proud of his accomplishments—"I am meeting with the best possible success in all that I am trying to do for my Company here," he boasted to Beveridge—he could not rest while Berlin remained "uncaptured." He returned to America determined to head up an all-out effort to gain readmission to Germany.[5]

While in Berlin he had invited the German Insurance Department to make an examination of the New York Life to see for itself that the company was sound. The Germans accepted the

invitation and in June, 1899, a two-man commission arrived in New York. The commissioners conducted the investigation with typical Prussian thoroughness. Each morning, despite severe heat, they arrived early at 346 Broadway, and worked away "serenely" until late afternoon. Perkins, who was with them almost constantly, was deeply impressed by their knowledge of the business. After a week he admitted that they were "turning up a great many things that we ourselves didn't know quite as much about as perhaps we ought to have." The main objection of the investigators (and the chief reason their government had excluded all the American companies) concerned the types of securities in which certain company assets were invested. The Prussians, considering stocks risky investments, demanded that the New York Life get rid of all its stocks, and amend its by-laws so that none could be purchased in the future. A hot argument over this proposed change flared up among the company officials. "For two weeks," Perkins reported on June 15, "we have been pulling hair on this proposed By-Law." Perkins supported the proposal "without regard for the Germans," but another faction felt that the high returns yielded by good stocks outweighed the risks involved in stock ownership. The fact that the Germans would prohibit them from even making loans secured by stocks seemed still more unreasonable to this group. Furthermore, the New York Life controlled the New York Security and Trust Company, a corporation that loomed importantly in New York Life affairs. The idea of disposing of it was particularly unpalatable. But the board of trustees, led by President McCall and Perkins, finally voted to change the by-laws and to divest itself of all stocks by 1902. The two commissioners then agreed to recommend that their government readmit the New York Life.[6]

The situation, however, was very complicated. The Mutual Life was also seeking readmission to Germany, and Perkins naturally wished to thwart it if possible. Also, New York State had barred German fire insurance companies in retaliation for the exclusion of American life companies. Perkins suspected that it would strengthen the New York Life's case immeasurably in Germany if this arbitrary ban could be lifted.

This array of problems gave Perkins a chance to display his

talent for careful planning and rapid-fire action on many fronts. The Mutual was supposed to have strong contacts at the American Embassy in Berlin; to counteract the possible argument that the New York Life lacked official support, Perkins arranged (probably through his friend Charles G. Dawes, who was close to the White House) to have President McKinley grant an interview to the visiting insurance experts. Later, when the New York Life tendered the visitors a formal dinner, McKinley sent a friendly message that further strengthened the impression of government backing. Perkins also induced New York Insurance Commissioner Lou Payn, who was sympathetic—indeed too sympathetic—toward American insurance companies, to promise "reciprocal readmission" to the German fire companies. Next, for $500 a month, Perkins hired a man named Guidon von Nimptsch, who had important contacts with German officialdom, and sent him to Berlin to act as a lobbyist and listening post. Finally, in August, 1899, Perkins crossed the Atlantic himself and settled down in Paris to await developments.[7]

Nimptsch soon proved that he indeed had many influential friends. His uncle was Paul von Hatzfeldt-Wildenburg, the German Ambassador to Great Britain, and Count von Bülow, the Foreign Minister, had been a classmate of his in military school. Almost at once Nimptsch uncovered a rumor that the Mutual Life was working through the American Embassy to see that any act of readmission would apply equally to all American companies. The Foreign Office was supposedly urging the Minister of the Interior to modify the ban on stock ownership, a sign that the Mutual Life was behind the request, since the Mutual was unalterably opposed to selling its stocks. This news so disturbed Perkins that he hurried to Berlin himself, but by the time he arrived the threat had evaporated. Nimptsch had talked with the Minister of the Interior, who indicated that no exception would be made to the regulation regarding stocks unless the Foreign Office urged it for political reasons. He had then seen Bülow, and described his own connection with the New York Life. The Foreign Minister promised to order his underlings to refuse any request to put pressure on the Interior Department.

To make doubly certain Perkins consulted Baron von Marschall-

Bieberstein, one of the commissioners who had investigated the New York Life. The Baron indicated that he would oppose any concession to the Mutual's position and would recommend wholeheartedly that the New York Life be licensed to do business in Germany again. By early September the question seemed settled, but a good deal of Prussian red tape remained to be untangled and there seemed little likelihood that formal readmission could be effected before mid-October. Unwilling to remain inactive for so long, Perkins decided to devote the intervening weeks to reorganizing the New York Life's Russian offices.[8]

The Russian concession was, by 1899, the last general agency of the New York Life. Perkins hoped to convert it to a branch office and also to dissuade the Russian government from admitting the Mutual Life, which was eager to obtain a *pravila,* or license. En route to St. Petersburg, however, he stopped off in Warsaw, where for three and a half days he met with agents and officers of his Warsaw–West Russia branch office. Out of these hurried meetings came a comprehensive scheme for reducing the cost of doing business. Perkins estimated that the sums being expended for rent, postage, clerk hire, and other office expenses amounted to 10 per cent of the income from new premiums. He told the office manager that in the future these costs must not exceed 8 per cent. Any reduction below that figure, however, the company would divide into two equal shares, giving one to the Warsaw office staff in bonuses. "This," Perkins pointed out proudly to Kingsley, "causes each clerk to feel that there is a profit sharing scheme in vogue and he is a partner in the business." Perkins made a little speech explaining the plan and then asked a specialist, brought along from the Paris office, to show some of the local staff a new and more efficient bookkeeping technique. This bookkeeper, working rapidly, outlined his suggestion on a piece of scrap paper. Reaching the bottom of the sheet he took up another, but before he could touch pencil to paper one of the Warsaw men stopped him. "No, sir, excuse me," this man said earnestly. "You will please turn over and figure on the other side! I am not going to let any stationery be wasted hereafter!"[9]

Having thus stirred up the Poles, Perkins pushed on to St. Petersburg, where he planned to introduce the Nylic scheme as

compensation for the abolition of the general agency and the system of renewal commissions. In addition, he was looking ahead to the broad changes in policy occasioned by the new rule prohibiting investment in stocks. Most of the money formerly so invested would have to be placed in bonds. Why not put some of it in European (or, more specifically, Russian) bonds? The Russians needed money. One of the Mutual's best arguments in its bid for a concession in Russia was the promise that they would invest life insurance funds in that country. Mulling these facts over, Perkins suddenly recalled that the New York Life Finance Committee had been considering investing in some Swiss bonds. He wrote hurriedly to McCall, suggesting that the committee act at once so that he could show the Russians an established policy of putting money into "European securities that are all right."

This advice was followed promptly, the New York Life purchasing twelve million francs' worth of 4 per cent bonds of the Canton of Geneva. The ulterior motive behind the transaction can be detected in the Finance Committee's minutes, which ordered the Treasurer to dispose of half of the bonds as soon as practicable thereafter.[10]

Before negotiating with the Russian government Perkins had to deal with the local agents of the New York Life. The general agent for Russia was a man named Paul Moeller, an English-born German who spoke Russian, English, French, and German fluently. He had come to Russia for the company in 1888, obtaining from the Russian government the vitally important *pravila* necessary to any foreign enterprise wishing to do business. Moeller had developed the agency and controlled its activities throughout the nation. Perkins, in effect, was changing him from an absolute monarch to a well-paid flunky. Separate branches were to be set up in Moscow, Odessa, St. Petersburg, and Warsaw, and all would report through the Paris office. Moeller was powerless to prevent the splitting up of his territory, but he tried to maintain some control over the parts. When Perkins arrived in St. Petersburg, Moeller confronted him with the company's local lawyer, who had prepared an elaborate brief denying the power of the company to change its organization without violating its *pravila*. Perkins disposed of the lawyer with ruthless efficiency: he told him to change

his mind within forty-eight hours or look for another job. "I served notice on Moeller and this lawyer," Perkins reported later, "that we didn't hire lawyers to give us opinions . . . that we couldn't do things; that we hired them to find out ways by which things could be done." The poor lawyer was impressed by the "logic" of Perkins position; long before the deadline he had deserted Moeller and admitted that his carefully worked out opinion was all wrong. Moeller, who, according to Perkins, was a first-rate insurance man "with a nose for picking out good agents," had to go along.

Perkins then attacked the problem of pacifying and reassigning Moeller's subagents. For a week he was desperately busy. "It was one of those situations," he reported to McCall, "where you had to grab hold with your hands and your teeth and strike out with both feet until you could clear enough space to stand on." But he succeeded in satisfying every one of Moeller's agents in the St. Petersburg area, and in addition he signed on about fifty new agents "stolen" from other companies. At the same time he effected a major reform of the St. Petersburg office staff. The payroll showed seventy-six clerks employed. "Just think of it!" he wrote at the time. "They all seemed to be busy and more red tape, duplication of work and ancient methods you never saw." He managed to lop thirty-two names from this list by instituting new methods (which required some delicate diplomacy, the Russian Insurance Department being rather set in its ideas about how records should be kept). These dispossessed workers he soothed by guaranteeing them half-pay for six months provided they caused no "complaints or disturbances" after leaving the company's service.

Next Perkins hurried south to Moscow. Moscow was the domain of a remarkable agent named Gleb, the largest "personal producer" in the entire New York Life organization, a man who consistently sold more than a million dollars' worth of insurance a year. But in the huge metropolitan Moscow area even a genius like Gleb could merely scratch the surface of the potential market. Fortunately Gleb was content to remain a lowly solicitor—his commissions must have been fabulous—and he made no objection when Perkins set up a Moscow branch office and brought in a man from St. Petersburg to act as agency director.

But Perkins's most important work in Russia lay ahead of him. Back in St. Petersburg he entered into negotiations with the government for the purchase of some railroad bonds. Negotiating with the Russian government in 1899 meant dealing with Sergei Witte, the Finance Minister. Witte and Perkins were kindred souls. A self-made man with a distinctly Western viewpoint, Witte was keenly interested in economic expansion and in modernizing his country. Personally charming and dynamic, he captivated Perkins as he was later to captivate so many Americans when he visited the United States in 1905 as a delegate to the Portsmouth Conference, which ended the Russo-Japanese War.

Perkins prepared himself carefully before he approached Witte. He knew that the Russians had failed in an earlier attempt to borrow money in America and took it upon himself to discover why. He spent a good deal of time at the American Embassy quizzing members of the legation about Witte and his policies. Finally he "opened negotiations" with the Finance Minister, who was vacationing at Yalta.

Previous Russian efforts to sell securities in America had failed because of inadequate preparation, he argued. Witte might be able to dispose of substantial bond issues through "Pierpont Morgan and some of his friends," but for really large transactions he must "get some one who would cultivate the field and do some hard, systematic work by way of newspaper and magazine articles about Russia, her cities, railroads, resources. . . ." It was "just possible" the New York Life would be willing to undertake this "pioneer work" in America *"provided we could be protected at both ends of the line while we were doing it."* The "protection" demanded by Perkins consisted of "a very low price" for the bonds, a five-year monopoly of the American market for Russian securities, and the promise that no new American insurance companies would be admitted to Russia. "If we took up Russia's cause in the financial world," Perkins explained glibly to Witte, "the other life insurance companies . . . would turn their faces to Russia and begin to investigate it as a life insurance field." Since the New York Life was in the midst of reorganizing its Russian offices, it particularly needed security against competition before undertaking extensive Russian loans.

While Witte was at Yalta, Perkins dealt with him through the St. Petersburg International Bank of Commerce, which had great influence in Russia and also in China "in the way of railroad building, the starting of banks, [and] the opening up of commercial enterprises." (After talking with officials of the International Bank, Perkins wrote McCall: "I can get this for our use in most any way we want it.")[11]

Eager to tap foreign sources of capital, Witte found Perkins's proposals attractive. He offered finally to guarantee with the credit of his government an issue of twenty million rubles (about $10,000,000) of the bonds of the South-Eastern and Vladikavas Railroad companies if the New York Life would undertake to dispose of them in the United States. The selling price was 96¾. Perkins had already cabled New York for permission to purchase bonds to this amount, but the Finance Committee, ever cautious, had authorized him to buy only ten million rubles' worth. The Russian proposal, however, could not be refused. Witte was willing to promise, in writing, that the Mutual Life would be denied a *pravila.* "As regards the wish expressed by you to be protected against rival companies," his formal proposal stated, "I must inform you that I shall be opposed to any issuance of further permission relating to the establishment in Russia of American insurance companies." In Russia, when Sergei Witte was "opposed" to anything, that matter could be considered settled. (Perhaps as a token of good faith, Witte also caused the Minister of the Interior, a man friendly to the Mutual Life, to be dismissed by the Czar.) "I fear some of the gentlemen of the Finance Committee may feel that I am a dashing young man who tosses off millions as though they were straws," Perkins wrote rather cavalierly to McCall as he explained that he had "made it twenty millions and closed the deal." He added confidently that not even a unanimous adverse vote in the Finance Committee would convince him that he had made a mistake. Witte had also given him an option on an additional thirty million rubles of the bonds and a promise that the New York Life should underwrite 20 per cent of any further Russian borrowings in America. As he crossed the border into Germany on October 22, Perkins cabled home triumphantly: "NOTHING LOOSE OR NAILED DOWN IN THIS PART

OF THE WORLD THAT WE HAVE NOT GOT."[12]

Back in Berlin, Perkins was at once swept up in the struggle over readmission to Germany. There were no basic difficulties but a tangle of red tape clogged every step of the way from the submission of the commissioners' report to the final approval by the Imperial Cabinet. Both Perkins and Nimptsch spent endless hours negotiating. The German Ambassador to the United States, Theodor von Hollenben, was in Berlin at the time; Nimptsch collared him and got him to talk to the Minister of the Interior about the need for speed in the interest of German-American friendship. Perkins closeted himself with his friends the commissioners, telling them that delay might prejudice the readmission of the German fire insurance companies in New York. For if the Mutual found out about the New York Life and its German deal it might use its nefarious influence back home to keep out the German companies. Soon after Perkins returned to Berlin Nimptsch reported that a young friend of the Minister of the Interior had stopped in to see about a job with the New York Life. Perkins told Nimptsch to hunt the young man up "in a pea green hurry" and get him on the payroll at once.

Finally, on Saturday, October 28, the Imperial Cabinet met. It was a dreary day, dark and rainy. With typical thoroughness Perkins prepared a long list of cables announcing the readmission and had Nimptsch arrange with the German telegraph authorities to hold a wire open so the messages could be transmitted the moment the news broke. He also informed the local Associated Press man that he would have an important announcement at six o'clock. Then he and Nimptsch took up their vigil outside the building where the Cabinet was in session.

The rain fell in sheets. By four o'clock it was so dark that lights had to be turned on inside. Suddenly Perkins saw one of the Germans who had investigated the company in New York, Privy Councilor Knebel-Doeberitz, cross the room, open the windows and signal for Perkins and Nimptsch to enter the building. The Cabinet had approved his report. "I shall never forget that particular moment," Perkins wrote the next day. "The windows were long ones, latticed, very much resembling church windows in a cathedral. Knebel pulled these open . . . his entire figure was out-

lined against the brilliant light at his back, both his hands raised above his head, beckoning us to come in. . . . Think of it! Knebel-Doeberitz, of all the men in the world, welcoming us back to Prussia with outstretched arms! It seemed to me that in this one unconscious act of his we achieved our greatest triumph."[13]

By five-thirty that afternoon the news was on its way to America. Perkins cabled all the top men in the New York Life, his brother Edward, President McKinley, and a few of his close friends. Then he and Nimptsch went to the Palace Hotel, where Evelyn and Miss Kihm were waiting. He opened a bottle of champagne to celebrate, the little group drinking to the health of the New York Life, to President McCall, and to themselves. (Actually, Perkins was no drinker; even with all the toasts they left half the bottle for the waiters.) Perkins then rushed to tell American Ambassador Andrew D. White, and got *him* to make the official statement to the press, incidentally expressing his great satisfaction with the news. Perkins also dispatched telegrams to the European branch managers urging them to convert the favorable publicity that readmission would produce into new business.

Soon messages of congratulation began to arrive from America. "PLEASE ALEXANDER, DO NOT WEEP BECAUSE THERE ARE NO MORE PRUSSIAS TO ENTER," the home office staff wired. "I'M NOT THE ALEXANDER WHO WEEPS," Perkins replied. "TRY ONE TWENTY BROADWAY."*

But there was little time for either self-congratulation or relaxation. The company had not a single agent in Germany; an entire organization had to be constructed. Perkins appointed Nimptsch as Resident Secretary in Berlin, but he had doubts about his German friend's abilities as an insurance man. Nimptsch, however rose to the challenge, and was soon in charge of the New York Life's entire German business. Within twenty-four hours after the Cabinet had readmitted the company, Perkins had dispatched form letters to all the old New York Life policyholders in Germany, asking them for letters testifying to the soundness of the company and its methods. Since the New York Life was a mutual company owned by the policyholders, Perkins argued, old policyholders owed it to *themselves* to help in developing new business. This form also

* A reference to Vice-President James W. Alexander of the Equitable.

asked for letters recommending individuals who might make good agents in Germany, and (incidentally) it also pointed out the many advantages accruing to persons who invested in additional insurance for themselves. From the replies Perkins was able to put together a pamphlet full of flowery compliments, and he accumulated a list of more than a hundred names of potential agents.[14]

Before further progress could be made in Germany, however, he had to return to St. Petersburg for the formal signing of papers in connection with the Russian bonds. Witte was most co-operative and friendly. Perkins was able to have the New York Security and Trust Company* selected as financial agent for the Russian government in America. Witte also agreed to provide Perkins with information about Russia that would be useful in disposing of the bonds, and to maintain a personal representative on call in New York to "answer any and all questions that may be asked . . . as to Russian financial matters." Furthermore, the New York Life was named disbursing agent in the paying of interest and principal on the bonds. For this purely nominal service the company was to receive a good commission. "Imagine getting . . . one-eighth of one percent for disbursing money!" Perkins wrote McCall. "If we go on and build up any kind of a business . . . this . . . would be a very handsome little income after a few years." Little wonder that Perkins left Russia convinced that a vast new area had been opened up for development by his company, both as a market for insurance and for investment capital.[15]

Back in Germany for more work on organization, Perkins managed a long talk with the German Finance Minister, sounding him out about buying German bonds. The Minister cautiously pointed out that at the moment he was not in as great need for money as Witte, but he expressed general interest in the possibility. Within a year such a transaction was completed, the New York Life buying twenty million marks' worth of Imperial German 4 per cent bonds at 95½.

By the middle of November, 1899, the psychological impact of the company's readmission to Germany was having its effect on

* Witte and the Russian bankers professed to be in the dark as to the virtues of the trust company device; Perkins promised to send them some information about it after his return home.

agents in other European countries, and business was booming. Over ten million francs' worth of new business came into the Paris office between the tenth and the twentieth of the month. After a series of conferences with agency managers from Egypt, Austria, and Spain, Perkins made a quick trip to England, where in about a week he talked to every New York Life agent in Great Britain. Finally, in mid-December, he returned home, having written ahead, perhaps only half-jokingly, for one of his associates to send a stretcher down to the ship to carry off "what is left of me."[16]

On December 21 the New York Life tendered Perkins a testimonial dinner at the Waldorf-Astoria. His assistant, Kingsley, had organized a typical contest in his honor and it had been a huge success, the agents exceeding their quotas by some $8,000,000. The affair was marked by the usual speeches and by the presentation of a huge silver punch bowl to the returning hero. It was one of the great moments of Perkins's life and in his brief remarks, after the usual feeble jokes required of such occasions, he spoke movingly of his pride in the company and of his obligation to the thousands of policyholders whose interests he represented. If there were contradictions between this sense of trusteeship and the hectic struggle and competition of the business, he was, for the moment at least, unaware of them.[17]

The banquet was a moment of triumph for the New York Life as well as for Vice-President Perkins. In less than a decade the company had moved from third to first place in the American insurance business. Its expense ratio, high when compared to some of the smaller, less aggressive companies, was the lowest of the three giants. These facts, together with the coup in Germany and the valuable new Russian connections, gave the management ample reason to congratulate itself.

They also gave the Mutual Life and the Equitable a reason for striking back. Competition between the three Racers was always keen, but, from the New York Life's point of view, there was a difference between the Equitable and the Mutual Life. Rivalry with "Espouser" (the code name for the Equitable) was intense but friendly; rivalry with "Essence" was bitter. In part this condition reflected the healthy respect that all insurance men held for Henry

B. Hyde of the Equitable; in part it reflected the policies of Richard McCurdy, President of the Mutual.

McCurdy cared for nothing but volume. At times his cost of new business went as high as 96 per cent of the first-year premiums,[18] and Perkins's correspondence is full of complaints against the fantastic commissions that the Mutual paid its agents. McCurdy held out longer than anyone else before agreeing to the antirebate pact of 1895, and, according to Perkins, his company continued to violate it in the years that followed. The Mutual Life was known to have great political "pull." After the readmission of the New York Life to Germany, the Mutual attempted to block the readmission of the German fire insurance companies into New York. When Superintendent Payn nonetheless readmitted these companies, McCurdy's defeat was called "the first straight knock-out blow he has received at Albany in a long time." Whereas Perkins admired Hyde, and had a warm personal affection for Gage Tarbell, his own oposite number in the Equitable organization, he detested McCurdy, whom he thought "a cold-blooded villain" completely selfish and devoid of both "manly instincts" and "proper interest and pride in his company."[19]

The difference between the Equitable and the Mutual in Perkins's eyes can be seen in a conversation he had in Russia with an Equitable agent named Peter Popoff. He called on Popoff one day in Moscow and asked him what he had heard about the Mutual. "Oh," said Popoff, "the more American companies we have here the better. It will kill off these confounded Russian Companies and we will have all the business to ourselves."

"When I found Popoff's frame of mind you could have knocked me down with a feather," Perkins wrote later. "I talked with him for an hour or two. I asked him if he knew what kind of competition the Mutual Life would be and he said he supposed they would pay rather high commissions but they couldn't beat us at that game. I then asked him if he had a New York State [Insurance] Report handy. He produced one and I figured out for him the expense ratio of the Three Giants for last year. He seemed very much astonished that the Mutual's should be so high. I then suggested that he write to . . . London and ask them whether or not they thought the Mutual Life were helpful to American in-

surance interests in Great Britain. I finally succeeded in cooling him off quite a great deal in his enthusiasm over the advent of the Mutual."

The common attitude of the New York Life toward McCurdy and his company was expressed by President McCall in 1895. "What shallow pretenders they are!" he wrote Perkins. "McCurdy couldn't be honest even with himself. When he is not cheating others he practices on his valuable corps of assistants."[20]

The Mutual was naturally concerned over the setbacks it had received in Europe and America. Enlisting the aid of the Equitable, it attempted to check the headlong expansion of the New York Life. A diabolical coup was planned.

Insurance Superintendent Lou Payn had recently been severely criticized for having borrowed a large sum of money from a trust company which had powerful insurance connections; as a result, Governor Theodore Roosevelt had decided not to reappoint him when his term expired in February, 1900. Payn was well liked by the insurance men, and they had put pressure on the Governor in his behalf, none more strongly than the forthright John A. McCall. When their campaign failed and Roosevelt named Francis J. Hendricks of Syracuse to the position, there were widespread rumors that the Governor was planning a general attack on the industry. In mid-February, McCall heard specifically that Roosevelt was going to suggest a bill limiting to one and one-quarter billions the amount of insurance that any company could have in force. He hastened to see the new Superintendent, but Hendricks was noncommittal.

McCall was badly upset. As the largest company, the New York Life would be the first to reach such a limit; once there, how could its sales force operate? The effect on its agents' morale would be catastrophic. The mere thought of such a bill, Perkins said, was "enough to make a man's hair turn white." However, McCall did not wish to oppose the bill if Roosevelt really desired its passage. Much valuable publicity had been obtained through the company's policy of welcoming state regulation of its affairs; the benefits would be lost if it got into a fight with the popular Roosevelt. McCall hinted to Hendricks that a limit of 1.5 billion would be much less difficult to stomach, but, despite his feelings, gave no

sign of serious objection to the lower limitation.

On February 19, McCall departed for California on a business trip, leaving the problem to Perkins. The next day Perkins learned from Edward E. McCall, one of the New York Life's Albany lobbyists, that Emory McClintock, the actuary of the Mutual Life, and Charlton T. Lewis, that company's legal adviser, were in Albany with a bill limiting all insurance companies to 1.5 billion dollars of insurance in force. They represented the Equitable as well as their own company, they said, and they intimated that John A. McCall had also promised not to oppose their bill.[21]

Perkins at once undertook an investigation. Edward E. McCall and "Judge" Andrew Hamilton, another lobbyist, burrowed deep into the Albany scene and came up with the conclusion that Roosevelt was not behind the bill at all and that Hendricks, new to his job, was unready to push any legislation at the moment. But on February 27, Lewis and McClintock had an interview with Hendricks and Governor Roosevelt, and the next day their bill was introduced in the legislature. On March 1, James W. Alexander of the Equitable formally endorsed this measure. Lewis, a versatile and scholarly lawyer, was known to Roosevelt through his work in the New York Prison Association, and in other reform organizations. A prominent Democrat, Lewis was supposed, in the Payn controversy, to have offered to help Roosevelt by supplying five votes in the legislature to any candidate for the superintendency that Roosevelt might select.[22] Therefore, despite the optimistic reports of his agents, Perkins decided to find out for himself what the Governor was thinking. The interview that followed was one of the most important in his life.

He had met Roosevelt casually once or twice but was quite certain that T.R. would not remember him. Therefore, he obtained a good letter of introduction from Thomas B. Reed, but he wanted a more personal contact too. Suddenly he remembered that Roosevelt was coming to New York to address a dinner of the Ohio Society on March 2. Perkins, a loyal member of that organization, had engaged a table, and organized a party for the affair. Fortunately he had one extra ticket, saved for an emergency. So he invited Governor Hugh S. Thompson, a New York Life trustee who had served with Roosevelt on the Civil Service Commission

back in the eighties, and primed him on the situation. At the dinner Thompson strolled over casually to the head table to pay his respects. Roosevelt leaped up and greeted him warmly, while Perkins watched with mounting pleasure from across the room. Thompson made an appointment to visit Roosevelt in Albany "about an insurance bill that has just been introduced," and obtained permission to bring Perkins along too.

Senator Mark Hanna of Ohio, the Republican "boss," was also at the dinner, and Perkins proceeded to "paint him a story in regard to the Limitation Bill" designed to "make the few hairs on his head stand up straight." He told Hanna that the New York Life would not contribute a cent to the coming election campaign if the bill went through, and Hanna promised to take the matter up with Boss Tom Platt in Albany.

McCall had some misgivings about the proposed interview with Roosevelt. "YOU ARE DEALING WITH AN ABSOLUTELY HONEST BUT PECULIAR MAN," he telegraphed Perkins. "BE TACTFUL." Above all, McCall added, Perkins must make it clear to the Governor that the New York Life would not try to defeat the bill if Roosevelt was really behind it. Perkins went ahead with his plans; the appointment with the Governor in Albany was scheduled for March 7.[23]

Meanwhile, Charlton Lewis made a brilliant, if unscrupulous, move. Knowing that McCall was afraid of appearing to oppose Roosevelt, Lewis telegraphed him in California asking him to "satisfy the Governor" that the New York Life would not resist his wishes in the limitation matter. McCall replied by saying that if the Governor was for the bill he was for it too. He hoped, however, that Roosevelt would base his approval of the bill on general principles, not on any insurance company's wishes. As Lewis had evidently hoped, this statement, phrased in typical telegraphic shorthand, was somewhat ambiguous. It could be made to mean something quite different, namely, that McCall hoped Roosevelt would approve the bill *despite* the wishes of any company. Triumphantly Lewis forwarded a copy of the telegram to Roosevelt, together with a letter explaining that McCall favored the bill but that "naturally, Mr. Perkins & others who have organized the great agency bz of their co's are reluctant to meet any interference with

their ambition." If the bill was put forward as "state policy," Lewis explained craftily, it would be "cordially welcomed by the responsible heads of every co."[24]

Fortunately for the New York Life, this letter arrived on the same day that Perkins had his interview with Roosevelt. No sooner had he begun to explain his company's position when Roosevelt interrupted him. "It isn't my measure. I don't know anything at all about it. Mr. Lewis of the Mutual has been to me repeatedly about the thing and I have as often told him I thought this an inopportune time to bring up any bill of such far-reaching importance."

"My dear Governor," Perkins answered. "We have been told that you had your mind all made up to send in to the legislature a special message calling its attention to the great accumulation of funds in the hands of the three companies."

"Absolutely and unqualifiedly false," Roosevelt retorted.

And then the whole story came out. Roosevelt showed Perkins Lewis's letter and the telegram from McCall. Perkins explained McCall's true position. The conversation turned to McCall's overenthusiastic support of Payn when Roosevelt was trying to force Payn from office. Perkins "went right at him man fashion," explaining the whole German affair, and Payn's help in readmitting the German fire companies. He told Roosevelt that if McCall's letter in support of Payn was twice as strong as those of other insurance men it was merely a reflection on McCall's way of doing business; if he liked a man he pulled no punches. The ebullient Governor of New York could appreciate such an explanation. "I want you to send word to your President to-night," he told Perkins, "that the incident is closed and the slate wiped out, and I want to meet him." When Perkins left the office he had made a new friend, and he knew that the Limitation Bill was dead.[25]

Out in California, McCall, who was naturally infuriated when he learned what had been done with his telegram, proceeded to officiate at the bill's funeral. He "wired everybody interested" that it "must . . . be killed beyond resurrection." He suggested to Perkins that Benjamin B. Odell, the chairman of the Republican State Central Committee, be retained for $2,500 to work against the bill. Perkins explained that this move would not be necessary,

but he did request authority to pay an unnamed agent $1,000 for services rendered. "We have not spent a cent in any other way," he claimed, although, from the nature of his correspondence, it is clear that he was not thinking of the money paid to regular lobbyists like Edward McCall and Andrew Hamilton, who had been hard at work on the problem for weeks. In any case, by the middle of March, the "crisis" was over. McCurdy of the Mutual submitted his formal "surrender" to McCall on March 12, telegraphing: "I HAVE DROPPED THE MATTER ENTIRELY AND SO NOTIFIED NEW YORK."

The bill was quickly withdrawn, for it had no chance of passage with both the Governor and his Superintendent of Insurance opposed to it.[26]

For Perkins this seemed simply the latest in a long series of business triumphs. His future appeared to be easy to predict. Number two man in the largest life insurance company in the world, at thirty-eight he was obviously the man of the future for the New York Life, and perhaps for the industry as a whole. But fortune, in the form of a loud noise that unceremoniously woke his little daughter Dorothy from her afternoon nap, was about to change the course of his life.

PART II

THE HOUSE OF MORGAN

CHAPTER V

JOINING MORGAN

THOSE philosophers who claim that the strongest men are not really masters of their fates could well use the life of George Perkins to prove the point. Perkins made his own way in the world to an unusual degree. Few men have excelled him as an organizer and a manipulator both of other men and of the details of every-day business matters. Imagination, anticipation of the unexpected, comprehension of the over-all patterns and of the separate aspects of complicated problems were all characteristics that he possessed in full measure. But he certainly did not mold the great changes that he experienced in 1900 and 1901.

His "conquest" of Germany and Russia were the keys to his future. No doubt he realized that he had increased his stature enormously as a result of his European adventures, but he could not have anticipated the direction that these events would give to his life. As it turned out, his work in getting the New York Life readmitted to Germany and his negotiation of the Russian bond deal set in motion two separate chains of events that came together just one year later in the Wall Street office of J. Pierpont Morgan.

Perhaps one could have predicted the effect of the Russian loan on Perkins's life. It caused a stir in Wall Street, and the House of Morgan was a sensitive seismograph, responsive to the slightest of financial tremors. If insurance companies, with their vast resources, were to negotiate directly for foreign securities, the House of Morgan might lose a great deal of valuable business. Morgan's concern increased when, in September, 1900, the money of the New York Life Insurance Company was again employed in Wall Street by Perkins with startling effects. The circumstances were somewhat different. Kuhn, Loeb and Company, like Morgan a

firm of private bankers, was floating a $20,000,000 loan for the German government. Perkins, having previously discovered that the Equitable and the Mutual were not interested in this loan, decided to subscribe heavily and promptly; on September 13, the very day the issue was announced, the New York Life took $5,000,000 of it.

The bonds made a profitable and safe investment for company funds, but the chief motive behind this move was to show the Germans the wisdom of their decision to readmit the New York Life and no other American company. Perkins told Nimptsch to explain to his friends in high places that the no-stock policy of the New York Life meant that the company would always be eager to invest in good bonds. Surely, he reasoned, the Germans would see that the good will they had shown his company was being repaid. In America, the promptness and size of the purchase impressed small investors. They rushed to buy the bonds that the New York Life had snapped up so eagerly. The issue was disposed of with startling speed, so quickly indeed that it became a newsworthy event, and Perkins, with his keen nose for publicity, did not neglect to educate the press as to the role of the New York Life in the affair.[1]

Once again the power of the New York Life was noted at the corner of Broad and Wall, where Morgan reigned. The newspaper accounts gave credit for this dramatic coup to John A. McCall, who was in Europe at the time, but Morgan must have known whose policy the New York Life was pursuing. Then, on November 8, 1900, George W. Perkins was named a director of the National City Bank of New York. The significance of this event was clear to anyone who knew the financial world. McCall was already a director of that bank, and the bank's President, James Stillman, and several of its directors, were trustees of the New York Life. Morgan asked Stillman about his new director and received a glowing report.* He decided he had better talk to this Perkins, and he asked his partner Robert Bacon, who was also on the

* Many years later Perkins wrote Stillman: "You were the first man from the financial district to invite me to be connected with any of the important financial interests downtown, and I have always felt that this led to openings that have given me exceptional opportunities to broaden my education and better equip me for the work of the world."[2]

National City board, to bring Perkins to his office so that he could look him over.[3]

The connection between Morgan and the readmission of the New York Life to Germany was less direct. The competitive advantage that the company had obtained stirred the Mutual Life to push the Limitation Bill, and that bill, in turn, brought about the meeting of Perkins and Theodore Roosevelt. The satisfactory outcome of their conference left each with a high opinion of the other. As a result, late in March, while Perkins was taking a short vacation at Lakewood, New Jersey, he received a telephone call from the Governor asking him to serve as a member of the Palisades Interstate Park Commission.

Perkins was familiar with the problem that led to the creation of this Commission. The magnificent cliffs that line the west bank of the Hudson above New York were in danger of destruction. The hard diabase rock of the Palisades was becoming increasingly valuable for road building and a number of companies had been blasting away at it for some years. The structure produced by 175,000,000 years of volcanic upheaval, glacial sculpturing, and slow erosion man was about to destroy in one lifetime. Living directly across the Hudson from the Palisades, Perkins had witnessed this process himself, but the noise of the blasting had irritated him more than aesthetic considerations. As early as 1894 he had complained because the ear-shattering explosions frequently awoke his two-year-old daughter from her afternoon nap, and that summer he attended a meeting of Riverdale residents to consider what could be done about the problem. When Roosevelt asked him to add a new duty to his already busy schedule he tried to refuse, but the Governor read him a lecture on the importance of conservation over the phone. The job called for a first-rate business mind, Roosevelt added. Perkins demanded "time to think about it," but he quickly succumbed to Roosevelt's enthusiasm and the advice of friends like McCall, who urged him to accept.* In May he was formally appointed to the Commission, and shortly thereafter he was elected President by his colleagues.[4]

* McCall telegraphed him: "PALISADES ARE ABOUT THE RIGHT SIZE FOR A MONUMENT TO YOUR LEVEL HEADED AND SUCCESSFUL WORK. . . . ACCEPT OF COURSE."

Being the sort of person who seldom did anything halfway, Perkins quickly became absorbed in the problem of saving the Palisades. The New York and New Jersey legislatures had appropriated a total of $15,000 for the Commission's use. Little could be done with this beyond some preliminary surveying and the accumulation of a few options. Instead of waiting for the two states to provide more money, Perkins decided to seek private contributions so that the quarrymen could be bought out once and for all. One of the men he wished to approach was J. P. Morgan. The opportunity came in December, 1900, after a board meeting of the National City Bank. As the meeting broke up Perkins asked Robert Bacon whether he thought Morgan would contribute to saving the Palisades. Thus the two strands, originating in St. Petersburg and Berlin a year earlier, came together.

Of course, Bacon encouraged Perkins to ask Morgan for a contribution. In fact, he offered to take Perkins in to see the great financier at once. Perkins demurred, unready to face Morgan on such short notice. But he agreed to stop in the next day.

He found Morgan in his big, high-ceilinged office separated from his clerks and customers only by an immense glass partition. He was seated at his desk smoking a cigar. Bacon performed the introductions and left them. Perkins launched at once into his story of the Palisades, but after a moment or two Morgan interrupted him. "I know all about that. You are the chairman of the Commission. What is it you want?"

"I want to raise $125,000."

"All right, put me down for $25,000. It is a good thing. Is that all?"

Flabbergasted, Perkins asked weakly for suggestions as to who else might contribute. Morgan mentioned John D. Rockefeller, and Perkins mumbled something about calling on Mr. Rockefeller right away. Still stunned by the suddenness of Morgan's offer, he thanked the banker and started to leave.

"I will give you the whole $125,000 if you will do something for me," Morgan said calmly.

"Do something for you," Perkins said. "What?"

Morgan pointed across the room where all Morgan partners worked. "Take that desk over there," he said.

A lesser man might have been still more befuddled; Perkins, however, grasped the situation at once. In his unorthodox way Morgan was offering him a partnership in the firm, a position of tremendous prestige and equally great material rewards. Perkins sparred for time. "I have a pretty good desk up at the New York Life," he answered.

But Morgan brushed this reply aside with a word. "No," he said bluntly. "I mean come into the firm."

Perkins asked for time to think this offer over. Morgan replied: "Certainly. Let me know tomorrow if you can," and Perkins, who a few minutes earlier had never met Morgan, left 23 Wall Street with the richest prize in American finance his for the taking.

He telephoned his friend Thomas Buckner and asked him to wait at the office until he arrived. When he told Buckner about his interview with Morgan, Buckner gave his opinion at once. "I can't tell you what to do, George," he said. "But I can tell you just what I would do. I would pick up that telephone over there and call Morgan at his office. If he were not there I would call his house. I would get him just as fast as I could, and then I would tell him that I was taking an electric cab at full speed to accept the moment I saw him."[5]

Of course, the decision was not so simply made. He received mixed advice from his friends. Young Senator Beveridge advised against taking on a job that was a notorious man-killer; President McKinley, who he knew from his Ohio days, urged him to stay with the New York Life.[6] His wife and stepmother wanted him to take the new job, but agreed that they would not protest if he decided against it. The main barrier to his acceptance was Morgan's insistence that he drop his connection with the New York Life on entering the firm. Morgan reasoned (and events were to demonstrate the soundness of his argument) that there would be a conflict of interest between Perkins's work for the insurance company, a constant purchaser of securities, and his work for Morgan, an equally constant seller of securities.

Perkins was sorely tempted by the money involved, but he simply would not give up his connection with the New York Life. He was too much his father's son, too much the Presbyterian evangelist, too deeply and personally connected with the "Old Reliable"

for that. He talked with President McCall about his salary, which was then $30,000. On December 20, 1900, he announced to the Finance Committee of the New York Life that he was turning down Morgan's offer, but added that, out of consideration for the financial sacrifice involved, he expected a substantial raise. Then he left the meeting and McCall made a brief speech. It was a remarkable tribute to Perkins, especially since it was delivered in private to a group of men who knew Perkins and his work so well.

Briefly McCall traced Perkins's revitalization of the agency system of the company at home and abroad. He called him "the guiding spirit" of the entire organization in its rise from "a poor third" to first place among insurance companies. "To him the principal portion of the credit for these achievements justly belongs and is freely given by his associates." Not only should the Finance Committe raise Perkins's salary substantially, it should also make him its chairman, since he had already taken over leadership of its affairs. When McCall left the room the committee raised Perkins salary to $75,000 a year (McCall's, incidentally, was raised to $100,000), and shortly thereafter Perkins assumed the chairmanship.[7]

When Perkins told Morgan of his decision, the banker said nothing and Perkins assumed that the matter was settled. Two months later, however, he received an invitation to breakfast at the banker's Madison Avenue mansion. Over a leisurely meal Morgan finally explained *why* he wanted Perkins in his firm. He was just completing his reorganization of the steel business, creating in the process the billion-dollar United States Steel Corporation. Similar projects must be undertaken in other fields and the management of these industrial giants posed social as well as economic problems. Perkins, Morgan said, was needed in this great work. He must not refuse.

Whether or not Morgan was entirely candid in this conversation he could not have used more effective arguments on George W. Perkins. The offer now seemed much more attractive. Whereas Perkins had little or no interest in the routine and completely materialistic business of banking, his career in insurance had convinced him that size and business efficiency went hand in hand, and that the most challenging problems of the modern world were

to be found in the relationships that were developing between the giant corporations and their workers, and between these corporations and the public. Morgan convinced him that the work would be interesting and useful to society as well as lucrative. As Perkins told Beveridge, he would now be doing "the larger things instead of the detailed things." Though the sales talk may have been slanted to take advantage of Perkins's special interests, Morgan certainly used Perkins in the areas of work he had mentioned. "In the ten years I was with Morgan's," Perkins was to say in later life, "I never went behind the counter or examined into the bookkeeping end of the business. My job was to assist in the physical organization of the great industrial combines which Mr. Morgan was then engaged in financing."

But Perkins still would not accept Morgan's offer unless he could arrange to stay on part-time with his first love. And there was more than sentiment involved. For perhaps a year prior to the Morgan offer, the officers of the New York Life had been mulling over a "problem" caused by their rapidly expanding business. Within a decade, they estimated, their *assets* would exceed a billion dollars. Was it not possible, considering these huge resources, to eliminate the middleman in the company's purchases of securities? "We wanted," Perkins later explained, "with the least expense and in the most direct manner possible, to connect the man who insured way off in some part of the world with the original issue price of the security we were going to put his money into." If Morgan needed Perkins so badly, perhaps that was the answer to the company's problem. Once President McCall was convinced that Perkins would under no circumstances leave the New York Life, he became perfectly willing to see the chairman of his Finance Committee in the House of Morgan.

Convinced that he could have Perkins on no other terms, Morgan finally abandoned his objections. "Well," the banker said, "if you will not . . . leave the New York Life and you believe you can carry out this dual position, which I do not believe you can, I am willing to try it temporarily."[8]

On March 6 the newspapers announced that Perkins had been admitted into partnership in three Morgan firms: J. P. Morgan and Company in New York, Drexel and Company in Philadelphia, and

Morgan, Harjes and Company in Paris. Actually the partnership agreements were signed on February 27 in Morgan's office. (After Morgan, Perkins, Bacon, and Charles Steele had affixed their signatures, Perkins surreptitiously slipped the pen they had used into his pocket.)

He understood the significance of the occasion. Entering the most important private banking house in the country at a time when it was approaching its greatest power, he was also assuming one of the most important posts in the firm. Morgan had ten other partners, but most of them were engaged in routine banking. Only Bacon and Steele worked closely with Morgan in his grandiose industrial reorganizations. Steele, a quiet, gray-haired man whose courtly manner masked an acute intelligence, was a lawyer who had proved himself in Morgan's eyes through his brilliant work in the reorganization of the Erie Railroad in 1894. He joined the firm as a partner in 1900 after the death of Charles H. Coster, who had practically driven himself to the grave through overwork. (Coster had been a director of fifty-nine corporations.)[9] Bacon, big, spectacularly handsome, former captain of the Harvard football team, was sometimes called the "Greek God" by Wall Streeters. Lacking Steele's brilliance, he made up for it in charm. At the time that Perkins entered the firm, Bacon was playing a large role in the organization of the United States Steel Corporation. Perkins, as Morgan had indicated, was destined for this inner circle of Morgan men.

Inner circle, yes, but not the center. That place was reserved for John Pierpont Morgan. A hulking, heavy-bodied man, Morgan radiated force and determination. Never good-looking—he had too much coarse animal vitality to be handsome—as he grew older he was afflicted by a terribly disfiguring skin condition, *acne rosacea,* which turned his nose into a bulbous mass of crimson pulp. Frederick Lewis Allen has suggested that it was to compensate for his ugliness that he surrounded himself with handsome young partners like Bacon. Perkins, for example, was much the same physical type as Bacon, though of slighter build.

Stern and uncommunicative, Morgan was used to being obeyed, and no partner was his equal. "Mr. Morgan is endowed with very positive traits of character," that authority on all things connected

with Wall Street, Henry Clews, declared. "He has the driving power of a locomotive." The photographer Edward Steichen said that looking Morgan in the eye was like facing the headlight of an express train; one was either awed or terrified, depending on whether or not one was standing between the tracks.

"Mr. Dooley" caricatured Morgan's forceful manner in one of his inimitable columns describing a mythical meeting between Morgan and Horace Greeley:

" 'Who ar-re ye?' says th' gr-great man, givin' him wan iv thim piercin' looks that whin a man gets it he has to be sewed up at wanst.

" 'I'm ye'er iditor,' says Hor'ce.

" 'Which wan?' says Piermont.

" 'Number two hundhred an' eight.'

" 'What's ye'er spichilty?'

" 'Tahriff an' th' improvemint iv th' wurruld,' says Hor'ce.

" 'See Perkins,' says Piermont, an' th' intherview is over."[10]

Morgan wanted Perkins badly; otherwise he would not have made him the second offer, nor would he have agreed to the half-time arrangement that Perkins insisted upon. He was said to have guaranteed his new partner $250,000 a year in addition to a share of the profits. But he drew the line at Perkins's secretary, Mary Kihm. Women, the mighty Morgan maintained, did not belong in a bank. Perkins would have to get rid of her and employ a male secretary.

Miss Kihm, however, had worked for Perkins ever since he left Chicago. She was an excellent stenographer, but more than that she administered to his personal concerns. He had never outgrown the impatience with detail and routine that had so disturbed his father; Miss Kihm attended to the petty matters that cluttered up his affairs. He was firmly convinced that no one else could take his dictation, which was probably true in that he habitually sketched out what he wanted to say in a few brief phrases, leaving to her the exact formulation of the sentences. He hated to write anything out by hand. If he wished to send a telegram late at night, he would telephone the message to Miss Kihm instead of writing it down for the messenger himself. But when he asked for a desk for Miss Kihm, Morgan was adamant. "I will not have a damned woman in

the place," he said. Perkins solved this problem by renting an office for Miss Kihm in the Hanover National Bank Building "within a biscuit-toss of the Morgan office," and going there to do his dictating. Eventually he managed to get her a tiny office in the Morgan building, upstairs, far removed from the rest of the staff, and this only on the condition that she *never* appear on the banking floor.[11]

For several months after joining the Morgan firm Perkins was busy adjusting his life insurance work to a part-time basis (his New York Life salary was reduced to $25,000) and learning more about the operations of the House of Morgan. His already crowded schedule became still more tightly packed with activities. Soon he took what he called "a snug little apartment" at Sherry's Hotel, spending one or two nights a week there when he had to work late or when there was a particularly early meeting to be attended in the morning.

He was very happy with the new arrangement. Only when the uncertainties of the period during which he had weighed the Morgan offer were over did he realize how much the situation had preyed upon his mind. Now, each night, he returned from work brimming over with plans and new ideas; the extra labor, far from fatiguing him, seemed to stimulate him and make possible still greater efforts. His wife, who had been afraid that the additional burdens might break him down, found her fears unjustified. "I believe he is happier and healthier to have plenty to do," she finally decided. "Especially if his mind is at rest and free from worry and anxiety."[12]

But if the new arrangement made it possible for him to enjoy both the rewards of working for Morgan and the joys of continued service to the "Old Reliable," and thus to achieve peace of mind, his new life was extremely hectic. He had scarcely settled at his desk at Morgan's when a crisis struck the firm.

Early in April, 1901, Morgan left on his annual trip to Europe. Bacon took charge of the office, with Steele and Perkins also on hand. Shortly before sailing, Morgan, together with James J. Hill of the Northern Pacific Railroad, had purchased the Chicago, Burlington, and Quincy road, which was vitally important because it provided the Northern Pacific with access to Chicago and the East.

E. H. Harriman, who controlled the Union Pacific Railroad, had also wanted to buy the Burlington. Unable to do so he asked Morgan and Hill for a share in its control, but Morgan refused, primarily because he disliked Harriman. No sooner had Morgan left the country, however, than Harriman concocted a daring scheme. The Northern Pacific *owned* the Burlington, and Morgan *controlled* the Northern Pacific along with Hill, but Morgan and Hill did not possess a clear majority of Northern Pacific stock. Quietly Harriman set to work accumulating this stock himself.

No doubt he caught the House of Morgan off guard, and Bacon was largely responsible. Old Jim Hill, out in Seattle, became aware that something was wrong and rushed East in a special car before Bacon, almost next door to the Stock Exchange, awoke to the danger. Finally, during the first week of May, the Morgan forces bestirred themselves. There was a wild flurry in Northern Pacific stock as the two camps bid desperately for more stock than actually existed, and short-selling speculators offered as much as $1,000 a share in order to save themselves. Frightened, the Morgan and Harriman forces then called off their brief "war," and after several weeks of negotiating reached an "understanding." Out of this, some months later, came the Northern Securities Company, merging the Northern Pacific, the Union Pacific, and the Burlington. Perkins acted as chief conciliator in these negotiations, displaying a talent for pacifying and satisfying rival factions that was not lost on Morgan. "WELL DONE: HEARTIEST CONGRATULATIONS," Morgan cabled his partners from Europe.[13] When the new holding company was set up in November, the final arrangements were made by Hill, Harriman, and Perkins, and Perkins was named to its board of directors.[14]

From the outset of his connection with Morgan, Perkins became what would today be called the firm's public relations man. Morgan had always maintained a "policy of silence" toward the press. Lincoln Steffens once described his humiliation when he first tried to interview the great financier. Morgan let Steffens stand in front of his desk for several minutes while he worked over a page of figures. Then he glanced up, stared directly at the poor reporter, and lowered his eyes, without a sign of recognition, to the paper he was studying. "I slunk out," Steffens recalled. A great deal of

bad publicity based on lack of information and malicious rumor finally convinced Morgan that he must change his tactics, but he was temperamentally unsuited to deal with the press himself. He saw in Perkins, who had excellent connections among the reporters and was a convinced advocate of publicity for all businesses, an ideal man for this task. Within a week of his entering the firm Perkins was making statements to the papers about its activities. "Go slow . . . about Mr. Morgan's philanthropic motives in [the] Steel Trust," his friend Beveridge advised after reading his first effort. "The public will think you protest too much." Soon the journalists realized that a profound change had occurred at the corner of Broad and Wall streets. "George W. Perkins now does all the talking . . . for the firm of J. P. Morgan and Co.," the New York *World* announced. "Mr. Perkins has the facility of saying just enough and not too much on any subject. He takes the reporters into his confidence, explains the entire situation to them frankly, and tells them just how much they may and may not print." Coming from the *World*, a paper not notably friendly to bankers, this was indeed a compliment.[15]

As a result of his taking on this function, Perkins became "Morgan's right hand man," a well-known public figure almost overnight. Reporters ranked him as a prime source of copy, and his comings and goings were covered almost as avidly as those of the big politicians. On those occasions when he was unwilling to divulge the exact nature of his business, the press enjoyed a sort of guessing game. On a trip to Chicago in 1902, he told a cluster of reporters: "I am in Chicago on several business matters, none of which is of interest to the public." The Chicago papers thereupon painted highly imaginative versions of his plans: according to one he was completing arrangements for the creation of a huge harvester machinery trust. Another had him arranging for the financing of the meat packers' trust, others reported that he was discussing farm financing with a group of Western bankers, inspecting several subsidiaries of the United States Steel Corporation, conferring with Mark Hanna and labor leaders about a threatened coal strike, and negotiating for the purchase of the Colorado Fuel and Iron Company.[16]

But more important than his public relations work was his con-

nection with the early history of the United States Steel Corporation. Morgan made him secretary of its Finance Committee shortly after he became a partner, and on November 12, he was elected to the board of directors and made chairman of the Finance Committee, replacing Bacon.

This vast industrial enterprise, the world's first billion-dollar corporation, was organized by Morgan in order to prevent a struggle for dominance in the iron and steel business between the great ironmaster Andrew Carnegie and the chief manufacturers of finished iron and steel products. Faced with the prospect that Carnegie might invade the fabrication field and that the fabricators might begin to produce raw metal, Morgan, who was deeply interested in several steel concerns, decided to bring all these elements together into a great holding company. He bought out the Carnegie interests for $492,000,000 and combined with them the huge Rockefeller-controlled iron ore deposits in the Lake Superior region, Rockefeller's lake steamer fleet, and such giants among the fabricators as Federal Steel, the National Tube Company, and the American Steel and Wire Company. All in all, over one hundred firms were involved in the new corporation. Stock was issued lavishly—much too lavishly, in the opinion of many observers—and J. P. Morgan and Company assumed the responsibility for organizing the syndicate that sold this stock to the public.

Participations in the U. S. Steel syndicate were much sought after, and Perkins was highly pleased to be awarded, in addition to a "personal" participation of $350,000, the right to dispose of a $3,000,000 allotment. His method of doing so illustrates his cleverness and also his remarkable fondness for the New York Life. Because of its by-law prohibiting the purchase of stock, the New York Life could not participate directly in the steel syndicate. But it had not yet disposed of the stock it held in its own subsidiary, the New York Security and Trust Company, which, under the by-law, it could retain until 1902. So Perkins arranged the following scheme: The trust company received the full $3,000,000 participation in the syndicate and in addition it was appointed Registrar for the U. S. Steel preferred stock, a highly prized office. In return it promised to turn over three-fourths of the profits on $2,325,000 of the $3,000,000 participation to the New York Life. As a result, at

no risk to itself (except the very slight one that if the syndicate had failed the stock of the trust company might have declined in value) the insurance company received over $435,000 from the steel syndicate managers. As this figure indicates, the syndicate was successful and paid its members very handsome profits. On Perkins's own $350,000 participation these amounted to $86,341.78, or about 25 per cent, most of which was received by October 1, 1902. Since only 12½ per cent of the participation was ever called for by the syndicate, the profit on money actually paid in was about 200 per cent! Perkins kept only $41,500 of the participation for himself. He allotted about $150,000 to close associates in the New York Life, and the rest to relatives and a few close friends.[17]

The management of the steel syndicate was only one of many tasks involved in organizing the United States Steel Corporation. The company was composed of so many previously separate units that the development of an efficient system of executive command was very complicated. Matters ranging in type and importance from the retaining of lawyers to the purchase of additional companies came up for discussion. Perkins had to evaluate reports on the condition of iron mines and fleets of ore boats; he dealt with complex problems involving dividend policies and depreciation allowances, and simple but time-consuming ones concerning the location and handling of the company's cash reserves. He negotiated with Senator Hanna of Ohio about the relations of the M. A. Hanna Steel Company to the new corporation, and handled matters so satisfactorily that Hanna wrote him: "I feel that I have 'a friend at court' and will always feel a desire to show my appreciation of your friendship. I have . . . advise[d] Mr. Morgan very strongly to have your influence made potent in the management and policy of the Company."[18]

The most difficult problem facing the new corporation was the reconciliation of internal differences. Men of many different types and backgrounds were engaged in its management, and they had a wide variety of ideas as to how the company should function.

It must be remembered that U. S. Steel was a unit only on paper, for no physical merger had taken place. Separate plants continued to exist as before and the same executives continued to run them. It was not easy for these men to accept orders from a central head-

quarters. Even inside the "headquarters staff" different philosophies were at work. Since the board of directors was too large for effective policy making, real power lay in two of its committees, the Executive Committtee and the Finance Committee. The members of these committees recognized that Morgan had the final say, but Morgan counted on them to make policy and they were split into two groups over what policy should be.

One group, representing the view of the experienced steel producers, believed (as one historian of the company put it) in "getting your competitor before he got you."[19] The other, made up chiefly of lawyers and bankers, was more concerned with long-range profits, good public relations, and avoiding trouble with the government. These groups tended to coalesce around two men: Charles M. Schwab, the President of U. S. Steel, and Elbert H. Gary. Schwab represented the steel men; he had been one of Carnegie's brilliant young executives and owed his office in U. S. Steel to the old ironmaster's strong recommendation. Gary, a lawyer and former county judge whose practice led him into corporation management, came to the organization through Federal Steel, a Morgan-dominated company.

Schwab's rise had been phenomenal. Carnegie had picked him up in 1879, "a round faced country boy," and in seven years had made him manager of the huge Homestead plant of Carnegie Steel. They became close friends. When Carnegie decided to sell out, Schwab conducted the delicate negotiations with Morgan. Friendly, fun-loving, and energetic, Schwab was also ambitious and determined, and he interpreted his position as President to mean that he was the chief policy maker, always subject, of course, to Morgan's veto. Gary, on the other hand, was stiff, formal, humorless, and reserved. Some fifteen years older than Schwab, his chief virtues were self-control, patience, and honesty, and his primary business talents lay in management rather than in production. He loved to dispense fatherly advice in a somewhat unctuous manner. Like Schwab he was not one to subordinate himself to anyone in the company other than Morgan.

Inevitably Schwab and Gary clashed, and it was Perkins's lot to mediate between them on many occasions. Superficially, Perkins seemed the same type as Schwab. Both had risen from lowly origins

to great heights in the business world through qualities of personality as much as anything else. They were the same age, and both were charming, vigorous, and ambitious. "I thought you like twins," Carnegie wrote to Perkins at the time that Perkins joined Morgan. "You seem of the same class, your careers hitherto similar. I shall always associate you one with the other." Yet basically Perkins was more nearly Gary's twin than Schwab's. Gary excelled in patient negotiation and the reconciliation of supposedly antithetical forces, talents that Perkins had developed in the insurance business and which he was soon to display in a number of other fields. Gary also shared Perkins's belief in the importance of publicity and good public relations, and in centralization as the shortest road to corporate efficiency. Gary had the same kind of evangelical Sunday school background as Perkins, although in his case it was Methodist rather than Presbyterian. He put a stop to directors matching coins for their absent colleagues' fees, and frowned on the use of "inside information" for personal gain. While Perkins liked Schwab and got on well with him, he became deeply attached to Gary, and was for years his chief lieutenant in the steel company.[20]

The structure of the corporation hastened the clash between Gary and Schwab. As originally established, the locus of authority was placed in the Executive Committee, headed by Gary. Schwab was a member of this committee, and as President of U. S. Steel he was charged with transmitting Executive Committee orders to the heads of the subsidiary companies. But was Schwab to be an errand boy or the committee a rubber stamp? With Morgan in Europe during the first spring of the company's existence, the question could not be answered easily.

Schwab attempted a showdown at a meeting on July 1, 1901, shortly before Morgan's return. As tempers flared and personalities were freely discussed, the committee majority voted down Schwab's plan for presidential domination. Schwab was despondent. "Don't ask me to drive uptown with you this evening," he told Perkins on July 3. "My nerves are not in shape to enjoy the drive, I am simply heartbroken. . . . I have suffered every torture on Mr. Morgan's account to make matters move smoothly until his return. I have been hampered, crit[ic]ized and goaded by incompetent critics, who do not understand the whole steel situation. . . . I feel

most deeply for that great man, Mr. Morgan, who must find this condition upon his return. I'll do anything he may ask me no matter what, except that I will not continue as President of this Company under any condition."[21]

However, Schwab did not resign, and very gradually the real authority was transferred from the Executive Committee to the Finance Committee.* Gary sat on the Finance Committee but Schwab did not—a most significant fact.

But the final outcome of the struggle between Gary and Schwab was not apparent even as late as the winter of 1901-2. No one knew for certain then where J. P. Morgan stood. While everyone speculated, there were a series of petty clashes. A rumor made the rounds that Schwab's salary as President was a million dollars a year. This was a gross exaggeration as his salary was actually $100,000, but Schwab did not deny the story, obviously taking pleasure in it. Gary, however, fearing public criticism, promptly killed the rumor, and his action did not increase Schwab's love for him at all. At the same time, the friendliness that Perkins, Bacon, and Steele displayed toward Schwab disturbed Gary a great deal.[23] Then, in January, 1902, a squabble developed over another rumor.

Tired out by his labors in the organization of the new corporation, Schwab had gone to Europe with his wife and a few friends for what was later described as a combined business and pleasure trip. In Paris he bought a fancy new automobile, which he proceeded to drive to Nice in the sensational time of eighteen hours. There he joined several European friends, including Baron Henri Rothschild and Dr. Griez Wittgenstein, head of the largest steel works in Austria. They made "a jolly party," Schwab later confessed, "racing all over the Riviera" in the new automobile. On four separate occasions they dropped in at the Casino in Monaco to play roulette.

Their play, Schwab insisted, was completely casual "and simply for amusement." True, they were betting what were called "maximums" (nine louis d'or), which were worth about thirty-six dollars, and occasionally when a member of the party won he left

* In January, 1902, Percival Roberts, Jr., an experienced and outspoken steel man on the Executive Committee, resigned from that body in a huff. "The committee is hopelessly ignorant concerning the operations of the Corporation," he said. However, Roberts eventually returned to the board and became a member of the Finance Committee.[22]

his chips on the cloth for a second play. But no one won or lost any considerable sum. Indeed—and for some reason this seemed vital in Schwab's eyes—they never actually sat down at the table.[24]

However, some sharp-eyed observer noted their presence and informed a reporter. Wires hummed, and on January 13 the New York *Sun* announced on the front page under the headline, "SCHWAB BREAKS THE BANK," that the President of U. S. Steel was gambling heavily at Monte Carlo. Other papers, of course, seized upon the story too. Soon an intense though muffled reaction was coursing through the steel company's high command. The Gary faction was disturbed by the bad publicity, and Andrew Carnegie, who took such a fatherly interest in Schwab, was terribly upset. This strait-laced Scot, who was fond of pointing out to the youth of America that the gravest dangers besetting the road to business success were liquor, gambling, and lending money to one's friends, dispatched a stinging telegram to Schwab (it was one of forty-odd that he received within a matter of hours). More serious for Schwab's future, Carnegie sat down in his palatial Fifth Avenue mansion in New York and wrote in his own hand an outraged letter to J. P. Morgan.

> I feel . . . as if a son had disgraced the family. [Schwab] is unfit to be the head of the United States Steel Co.—brilliant as his talents are. Of course he would never have so fallen when with us. His resignation would have been called for instanter had he done so. I recommended him unreservedly to you. Never did he show any tendency to gambling when under me, or I should not have recommended him you may be sure. He shows a sad lack of *solid* qualities, of good sense, & his influence upon the many thousands of young men who naturally look to him will prove pernicious in the extreme. I have had nothing wound me so deeply for many a long day, if ever.

Submerged in indignant cables, Schwab knew at once that he must act quickly if he was to save his job. He addressed his explanation to the highest tribunal for such cases: the offices of J. P. Morgan and Company. But one does not address an emperor directly; Schwab's appeal was sent to George Perkins.

> SENSATIONAL STATEMENTS OF GREAT WINNINGS AND LOSSES ABSOLUTELY FALSE. FRIENDS ADVISE BY CABLE THAT SHOULD RESIGN. OF COURSE WILL DO SO IF MORGAN THINKS I SHOULD. SORRY.

This cable reached Perkins at about the same time that Carnegie's letter reached Morgan. The great financier and his newest partner compared notes. As a result Perkins cabled Schwab:

VERY SENSATIONAL REPORTS IN NEWSPAPERS. . . . THINK IT ADVISABLE AND IMPORTANT YOU CABLE SUCH A MESSAGE AS [VICE-PRESIDENT JAMES] GAYLEY CAN GIVE NEWSPAPERS AND STOP BAD EFFECT.[25]

Schwab did as ordered at once, but in telling the truth he had to admit that he had gambled. To those who considered gambling immoral the amount involved was immaterial. He wrote a long letter of explanation to Perkins, for he still feared to face the wrath of Morgan. He stressed the casual nature of his gaming—his erect position while following the little spinning ball—and the respectability of his companions ("Lord Rothschild was with me"). He admitted the error of his ways. "I can see now that it was a mistake. Of course. If the mistake was of such a character as to injure our company . . . by all means you should permit me to quietly resign. . . . Frankly cable me what Mr. Morgan and yourself think." But he could not resist adding that fate had treated him shabbily. "I have been coming here for 15 years," he complained. "I always visit the Casino on acct of its orchestra."

Schwab's public statement did not silence the newspapers. The *New York Times* loosed an editorial blast at the "folly," "wickedness," and "bad taste" of his "ignoble and hopeless battle with the laws of chance," and the yellow press was even more unrestrained. But fortunately for Schwab, the House of Morgan was unmoved. Perhaps Morgan, whose own pleasure-seeking was a constant source of interest to the newspapers, shared Schwab's fondness for the Casino orchestra. In any case, Perkins quickly assured the beleaguered gambler that he would not have to resign. "EVERYTHING ALL RIGHT," he cabled on January 15. "ANDREW CARNEGIE AND SEVERAL OTHERS WERE VERY MUCH EXCITED BUT THEY DID NOT MAKE THE SLIGHTEST IMPRESSION ON MR. MORGAN." Schwab's relief was great and his response immediate. "MANY THANKS," he cabled Perkins. "APPRECIATE MR. MORGAN'S ATTITUDE MORE THAN POSSIBLE TO EXPRESS. AM HIS TO COMMAND ALWAYS." And in a letter written a little later he added: "Steel Co. first—me second . . . I'll do anything Mr. Morgan wants. He's my idea of

a great man. Carnegie has condemned me without a hearing. Mr. Morgan, a new friend, is broader gauged by far. I'm his to command."[26]

Thus the incident ended. Schwab had some qualms about facing the newspapermen upon his return to New York, but Perkins sent him full instructions and he survived the reporters' assaults easily enough, stressing in his remarks to them the great feeling of responsibility he felt as the representative of the "greatest of American combinations."[27]

The House of Morgan's support of Schwab seemed to indicate a general approval of Schwab's position in the internal power struggle in U. S. Steel. Finally Gary went to Morgan with his resignation. Morgan demanded to know why he wished to quit. Gary explained his position in some detail, outlining his views on how the corporation ought to be run. "Judge Gary," Morgan said when he had spoken his piece, "you remain where you are and . . . when you want me to do anything or say anything, all you have to do is tell me. You needn't explain. Just say, 'Do so and so,' and I will do it."[28]

Thus the control of the corporation was determined. The squabbling did not cease completely, but Gary's authority was thereafter paramount. By the summer of 1902 Perkins felt that the period of "internal friction" had passed.[29] A year later Schwab left the company, the Executive Committee was abolished, Gary was named chairman of the board of directors, and power was centered in the Finance Committee.* Perkins, as chairman of this committee, found Judge Gary a congenial colleague. Although officially their relationship was somewhat ambiguous, they worked together harmoniously. This was not surprising since they were, for practical purposes, the right and left hands of J. Pierpont Morgan.

* The board of directors had little real authority. At a dinner given in Gary's honor in 1909 Perkins made a funny speech which portrays the role of the board clearly: "The Directors meet around a big table, the Judge at the end of the table. Before him are heaped great piles of books. The Judge raps for silence and the Directors are still. 'The Secretary will read the minutes of the previous meeting,' and the Secretary reads. Then the Judge says: 'Gentlemen, here are the minutes of the Finance Committee and the minutes of the meeting of the Presidents of the subsidiary companies, the reports of the Controller and the Auditor. They are all open before you for your examination. Has anyone any question to ask? If not, a motion to adjourn is in order. It is moved and seconded that we adjourn. The yeas have it. The meeting stands adjourned.' "[30]

CHAPTER VI

BANKERS *VERSUS* IRONMASTERS

ALTHOUGH the early power struggle within the United States Steel Corporation was a fight between financiers and manufacturers, victory for either side did not mean the annihilation of its "opponent." The corporation had both financial and manufacturing problems which had to be met and mastered. Generally specialists had no conflicts or even contacts with those outside their own particular fields. Perkins was one of the few individuals whose activities cut across both basic areas of operation. His primary interest centered on the *esprit de corps* of the business, and particularly on the problem of helping the ordinary employee see the identity between his personal welfare and that of the "soulless corporation" which had hired his labor. Essentially, he was trying to reduce labor costs by increasing worker efficiency, but before he could get deeply involved in this project he had to grapple with a complicated financial tangle growing out of U. S. Steel's need for additional cash.

Business was exceptionally good during the company's first year. Its first report, published with great fanfare thanks to Gary and Perkins, showed large profits and great prospects. Earnings amounting to $85,000,000 were reported after only nine months of operation, and even after paying dividends on both the preferred and common stock a large cash reserve remained. By May, 1902, after having set aside funds for the coming quarterly dividend on the preferred stock, this cash balance reached $56,000,000.[1]

Nevertheless, the corporation entered 1902 needing more money. The promoters had justified the merger on the ground that centralization and increased size would lead to efficiency and economy, but they discovered quickly that large sums would have to be expended "to harmonize" the separate plants if proper advantage

were to be taken of their combined resources. In addition, many of the separate units had been constructing new facilities when the merger took place. Common sense required that these be completed and paid for. All in all, some $50,000,000 was needed. Rather than utilize the cash on hand, which would have necessitated passing the common stock dividend and endangering preferred dividends in case of a busines recession, the Finance Committee decided to look elsewhere for the money.

The corporation could issue $50,000,000 worth of new preferred stock, but to do so would add at least $3,500,000 (the 7 per cent dividend) to its annual expenses. Actually, the cost would be a good deal more than that because steel preferred was selling at about 90 on the Exchange. Another possibility was a new bond issue, but this, too, would involve both interest charges and selling the issue at some discount through underwriters. Seeking a cheaper source of cash, Perkins evolved a complicated scheme that became known as the bond conversion plan.

Briefly stated, the holders of the corporation's preferred stock would be offered an opportunity to convert 40 per cent of their holdings into bonds. They could also purchase additional bonds up to 10 per cent of their preferred holdings for cash. If every stockholder exercised these options, $200,000,000 worth of preferred would be exchanged for an equal amount of 5 per cent bonds and $50,000,000 in cash would flow into the company for the needed expansion and integration. All this would be accomplished at no cost, because the annual savings in dividends on the retired stock would exceed the interest charges on the new 5 per cent bonds.[2]

Whatever its advantages, the plan was fraught with difficulties. Perkins was proposing to withdraw a huge block of U. S. Steel preferred. Could this be done without driving up the price of the stock to a point where the economic advantages of the conversion would be lost? On the other hand, Perkins assumed that the holders of preferred would be willing to trade for bonds bearing a lower yield, a most dubious assumption unless the market value of the stock was substantially below that of the bonds. He discussed the plan at great length "with some of the larger holders of preferred stock," but failed to impress them favorably. To bolster it, there-

fore, he modified his plan as follows: A syndicate headed by the House of Morgan would guarantee at least part of the transaction, putting up 800,000 shares of stock (par value: $80,000,000). The members were to lock up the stock until October 1, 1903, promising not to sell it no matter how high the price might go on the market. Then, they were to exchange from 40 to 100 per cent of this stock for the new bonds, the exact amount being determined by the corporation. In addition they would purchase $20,000,000 of the new bonds for cash. In exchange the company promised a 4 per cent commission on the actual amount turned over by the syndicate. Considering the fact that such a large amount of stock was being tied up for so long with no guarantee that more than 40 per cent of it would be converted, Perkins did not consider this commission unreasonably large. The syndicate had the option of converting *additional* preferred stock and buying additional bonds for cash at the same 4 per cent commission, but it could do this only by obtaining the securities from other stockholders who did not want to take advantage of their conversion rights. At worst, assuming that the syndicate purchased *all* the company's preferred stock, its commission would cost the company only 4 per cent of $250,000,000—$10,000,000. In return the company would obtain the immediate use of $50,000,000 and an annual savings of $1,500,000 (the difference between 7 per cent of $200,000,000 and 5 per cent of $250,000,000). This would be cheap compared to the cost of outright borrowing or of issuing new stock.* [3]

Perkins began to organize the syndicate as early as January, 1902, but the task was not easily carried out. As he later confessed: "The largest participations in the syndicate were taken only after urgent solicitation by me and upon my agreeing that my firm would take an equal amount." Under this arrangement John D. Rockefeller, already a large creditor of U. S. Steel, and the House of Morgan each deposited 100,000 shares of stock in a

* However, this argument ignores the fact that the bonds would represent a huge new mortgage lien on the corporation. If unable for any reason to pay the interest on this debt the corporation would be bankrupted, whereas, of course, it could pass a preferred dividend with impunity. A contemporary economist claimed that "the plan . . . runs directly against every recognized canon of corporation finance."[4]

joint account to start the syndicate off. A number of the other members, among them Charles M. Schwab and other directors of the corporation, joined only to save the plan. Morgan agreed to let them withdraw if other investors could be found to take their shares. "My firm considered, and I believe most of the directors believed, that the syndicate contract was not a particularly profitable one for the syndicate," Perkins later swore.[5]

At any rate the syndicate was finally completed during March, and a special law authorizing the transaction was passed by the New Jersey legislature. At a meeting held on May 19, the stockholders voted their approval, 7,704,288 shares to 12,543. The few objectors at the meeting received a full hearing, and Perkins made a speech explaining the plan. The discussion was entirely good-humored, and general press reaction ranged from friendly to non-committal.[6]

But shortly thereafter a group of stockholders obtained an injunction restraining the company from implementing the plan, and by the end of June a number of suits had been filed by small stockholders on the grounds that the syndicate's commission was too high and that the proposed increase in the company's indebtedness would be ruinous. By the first of July further consideration had led a number of financial experts and several newspapers to come out against the plan. Powerless to act because of the injunction, the corporation waged a complicated legal battle with its critics throughout the summer of 1902.

Perkins was convinced that those who attacked his plan were unscrupulous adventurers and blackmailers, and so far as the litigants in the court cases were concerned, he may have been right. The most important of the suits was instituted by a group headed by J. Aspinwall Hodge. Associated with Hodge was one David Lamar. According to Perkins, who passed the information on in a letter to Morgan, Lamar came into his office in July, 1902, and explained the plan of action against the company. Then he blandly offered "to stop all litigation" if Perkins would "give him a call on 20,000 shares of steel preferred and 20,000 shares of steel common." Perkins tried to get him to repeat his suggestion before witnesses but Lamar was too clever; in the end Perkins ordered him out of the office. In August, however, lawyers for U. S. Steel

obtained from a witness who had testified in the Hodge suit a "confession" to the effect that he had been paid by Lamar to give testimony damaging to the company's interests. Perkins was never seriously disturbed by these suits, for the corporation's lawyers promised to win them easily, but they did hold up the bond conversion. Only on February 5, 1903, did the New Jersey court uphold the company in the Hodge suit, thus lifting the injunction.[7]

This long delay proved disastrous for the bond conversion plan. The company had been flourishing in 1902, profits averaging well over $20,000,000 each quarter. But in the first quarter of 1903 they fell off sharply to $14,700,000. The situation did not seem serious, but it was not encouraging. "It will require a long period of extraordinary trade depression to cut down the earnings of the United States Steel Corporation to a point that will affect dividend returns," the New York *Herald* commented when the first-quarter figures were released in April. But profits *were* down, and the stock of the company declined with them.

Then, in May, the time limit in which individual stockholders could convert their holdings into bonds expired. Less than $45,000,000 worth of preferred stock had been exchanged and only $12,000 of the new bonds had been purchased for cash. The syndicate stood to lose heavily on its cash obligation since it had to purchase $20,000,000 worth of bonds at 96 (par less 4 per cent) which had a market value of only 85. Whatever further loss or gain it made depended on U. S. Steel, which might require additional conversion of some 350,000 shares of the preferred stock, selling, in May, 1903, at about the same price as the bonds.[8]

Throughout the summer the steel business continued to worsen. In June, Perkins informed Morgan that the outlook was "not as promising as it was," and he predicted a further slump in profits. A movement developed within the corporation, inspired by no less a personage than John D. Rockefeller, to reduce the quarterly dividend on the common stock from 1 per cent to .5 per cent. Perkins and a majority of the Finance Committee resisted the cut, but their main argument was that lowering the dividend rate might trigger a still more serious falling off of business, an indication that they were growing daily more concerned. After the third quarter ended, the common dividend *had* to be cut in half, and at

the end of the last quarter it was simply passed, not to be resumed for nearly two years.[9]

These events had a depressing effect on all the securities of the corporation. In 1902, when Perkins had first advanced his plan, U. S. Steel bonds were selling at about 95. The preferred stock was over 90, while the common fluctuated just above 40. At the end of the public conversion period in May, 1903, the bonds and the preferred had slipped a little, but their relative prices remained unaltered. However, in October a real difference developed. The bonds touched 70 at the start of that month, but the preferred stock was down to 61. This condition had made it possible for the syndicate to recoup its losses, for its agreement with the company did not expire until October 1, and it was entitled to convert as much of the preferred as it wished at par. After allowing for adjustments of dividends and interest and adding the syndicate's 4 per cent commission, its profit on all transactions completed at those prices was over 11 per cent.

Then (and this is the most controversial aspect of the entire incident), the Finance Committee extended the syndicate's life to June 1, 1904. This action naturally meant that more stock would be converted, but at heavy cost to the corporation. The reduction of the dividend on the common precipitated a further slide in stock prices. The margin between the bonds and the preferred widened to nearly twenty points. And between October first and the middle of November about 700,000 shares of preferred were exchanged for bonds. Finally, on November 19, Judge Gary called a halt. He "requested" that the syndicate surrender its privilege to convert, and the syndicate immediately agreed. The bond conversion plan was ended.[10]

The syndicate's exact profit on this transaction is beyond discovery. It lost heavily on the bonds it bought for cash, and its 800,000-share cache of preferred stock was acquired when worth considerably more than the bonds it was exchanged for in 1903. However, there was *some* profit even by October 1, 1903, for some members of the syndicate withdrew at that time and they received more than they had put in. Those who remained in the syndicate made huge gains. A. D. Noyes, the financial historian, estimated in 1904 that their profits averaged 15 per cent on the October and November conversions alone. Of course, these profits

could only be taken by selling the bonds, and while the syndicate did sell upwards of $6,000,000 of them a week during October and November, it continued to hold large amounts. To have attempted to dispose of them all would have forced the price down much closer to that of the preferred stock. According to one newspaper, when the syndicate wound up its affairs in May, 1904, it possessed $54,000,000 of U. S. Steel bonds, which it distributed to its members. This source estimated that each member received cash and securities with a par value of $1,000 for each $470 he had invested. Even if this estimate was correct, however, the depreciated value of the securities in 1904 would have greatly reduced the apparent profit.[11]

To say the very least, the bond conversion scheme was unfortunate for U. S. Steel. Its primary goal, the raising of cash, was not achieved, for much of the $20,000,000 turned in by the syndicate was eaten up in commissions. A great deal of preferred stock was converted, but not as much as Perkins had intended. In large part the failure of the plan was caused by business conditions over which the corporation had no control. The falling off of profits, not the conversion plan, caused the slump in steel stocks. The real fault of the corporation lay in its relations with the syndicate. In bargaining with a group dominated by Morgan and Rockefeller, the steel corporation was actually dickering with itself.

During the Stanley Committee's investigation of the steel business in 1911, Congressman A. P. Gardner of Massachusetts asked Perkins why the syndicate had been allowed a 4 per cent commission on its conversions, and Perkins replied by stressing the "very great risk" the syndicate had accepted in locking up 800,000 shares of stock for an extended period. Gardner suggested in return that this risk had been "minimized" by the fact of Morgan's connection with the syndicate. Perkins denied this flatly, but one cannot help feeling that Gardner was correct. Both the willingness of the corporation to extend the syndicate's life in October, 1903, and the willingness of the syndicate to end its own existence so promptly six weeks later when the profits became *too* great, bear out this line of argument.[12]

Perkins's first venture in the field of labor relations was more successful than his venture into corporate finance, but no less

controversial. Both he and the other executives of the company liked to expatiate on their humanitarian and farsighted labor policies, whereas among union men and liberals generally, those policies have been held up to ridicule as pitifully archaic. Actually, neither point of view is entirely justified. While the directors did resist unionization they supported many enlightened policies. Yet it is also true that their concern for labor was extremely paternalistic, however sincere.

The nature of the steel industry made the labor problem especially complicated. The work was dangerous, and for most jobs it required little skill. Pay was low and conditions harsh. Once ignited, a furnace or converter must operate round the clock seven days a week in order to perform efficiently. This meant—and it still means—that night and Sunday labor is routine for some operations in the industry. It also meant, since only two shifts were employed, that many laborers had to work twelve hours a day, and that periodically, if these drudges were ever to have a holiday, others must work double shifts to fill the gap. For example, beginning Monday night, a worker in a blast furnace or a rolling mill would work the night shift for six nights, then have twenty-four hours off, and return to the mill for the day shift on Monday. Continuing on this shift through Sunday, he would remain on duty that night for the "long turn" so that his partner could have a full day off. While the industry remained on a two-shift basis this sort of thing was difficult to eliminate, but the obvious answer, three eight-hour shifts, was dismissed offhand by the steel men as impractical. Unless the workers accepted drastic pay cuts, the cost of three shifts would be prohibitive, Gary informed his stockholders in 1912.[13]

Perkins insisted that the U.S. Steel management was not anti-union. During the 1911 Congressional investigation, when asked to explain a policy statement in which the Executive Committee of the corporation agreed "that we are unalterably opposed to any extension of union labor and advise subsidiary companies to take a firm position when these questions come up," he said that it was the closed shop, not unionism as such, that the committee had objected to. "The corporation's policy has been to employ both kinds of labor. . . . We have been for the open shop, and

have recognized . . . a man who was able to do his work, regardless of whether he was a member of any organization." In this statement he was being somewhat less than candid. Membership in a union might not be ground for dismissal in U. S. Steel, but by 1911 the corporation was resolutely refusing to recognize unions among its employees.

Furthermore, Perkins did not face up to the fact that the management of the corporation was divided within itself on labor policy. At another point in his 1911 testimony he stated flatly: "I have never felt that there was any reason why the laboring men should not get together and co-operate." But this was his personal opinion; many of his colleagues were frankly and uncompromisingly opposed to all unions. "I have always had one rule," a member of the Executive Committee stated callously when the corporation was first organized. "If a workman sticks up his head, hit it." Yet in general Perkins, and Judge Gary too, strove within the limits of their basic prejudices to be fair to labor, and to improve its lot in the steel industry.[14]

In April, 1901, almost immediately upon joining the corporation, Perkins drafted a memorandum for Morgan and Schwab which dealt chiefly with general organizational problems, but which also mentioned the importance of providing employees with "an incentive for the best kind of work." It was not until November 22, 1902, however, that he advanced a specific proposal. He presented a double-barreled approach to employee relations: a stock ownership plan designed "to interest every man, from the President to the day laborer, in purchasing and holding the Corporation's Preferred Stock," and a bonus plan for executives, "those who are in any way engaged in managing or directing the Corporation's affairs."

Profit-sharing and employee stock ownership plans were not unknown in America at this time. The Illinois Central Railroad had adopted profit sharing in the 1890's, and at the turn of the century a few large corporations, such as the Pittsburgh Coal Company and the National Biscuit Company, were establishing similar plans. Within U. S. Steel itself, Carnegie Steel and some of the smaller plants had profit-sharing schemes in operation. In some of these cases, employees were receiving stock bonuses in lieu of cash. But the plan that Perkins developed was much larger

and more comprehensive than any before attempted.

The theory behind his plan was simple enough. In order to meet the interest charges on its bonds and pay the regular dividends on preferred and common stock, the corporation had to clear about $75,000,000 annually. "The men receive . . . their salaries and wages for earning interest on bonds and regular dividends," Perkins explained to a business associate a number of years later. "When they do any more than that they are entitled to share still further in the profits."[15] This theory was easy to apply to executives' salaries. Perkins worked out a formula (there were a few modifications suggested by Schwab and by Francis Lynde Stetson, the House of Morgan's legal adviser) for distributing part of what might be called the excess profits to "all . . . men charged with responsibility in managing the affairs of the Corporation." When profits reached $80,000,000, 1 per cent was to be set aside; when they reached $90,000,000, 1.2 per cent; and so on, up to 2.5 per cent of profits exceeding $150,000,000.*

But Perkins dreamed of a plan that would reach all of the 168,000 employees of the corporation, "from the President to the man with pick and shovel." For the multitudes in the mines and mills, most of whom earned less than $800 a year in those days, a bonus that could not possibly amount to more than a couple of dollars would be meaningless. Perkins's concern with this question was not merely altruistic. The problems as well as the advantages of large-scale operation were well known to him. The average wage earner, having no great interest in the fortunes of his gigantic and impersonal employer, tended to do his job in an uninspired and routine manner. The whole profit-sharing idea was designed to give such men a stake in efficient production, and no ordinary bonus could do this for "the man with pick and shovel." Perkins met this difficulty by devising a plan for selling stock to employees under special terms. He broke the entire labor force down into six categories, ranging from Class A, the fifteen men with salaries of more than $20,000 a year, to Class F, the 122,000 workers whose annual wage did not exceed $800. Men in each classification were to be permitted to purchase preferred stock up to a specified

* Perkins's original percentages were slightly more conservative. Schwab was responsible for liberalizing them.

percentage of their income at a price slightly below the market, and to pay for the stock on the installment plan. As owners, it was hoped that they would take a greater interest in their company and be more efficient workers.

What made the scheme unusual, however, were certain special features intended to make the employees identify their personal interests with that of U. S. Steel. These features reflected clearly Perkins's experience in the life insurance business, and especially with the Nylic organization. Just as he had worked to retain his agents on a permanent basis, Perkins was eager to avoid labor turnover at every level. Thus his employee stock ownership plan provided that the corporation would pay a special bonus of five dollars a share each year for five years to every participating worker who remained "continuously in the employ of the Corporation," and who had shown "a proper interest in its welfare and progress." For example, a man purchasing one share of preferred stock in January, 1903, when the plan was instituted, paid $82.50 for it. For the next five years, if he remained with the company, he received each year a seven-dollar dividend and a five-dollar bonus, a very handsome yield on his investment. There was an additional "tontine" aspect to the scheme which harked back to Perkins's work with the New York Life. Many workers might subscribe for stock and then fail to complete their payments. These men would get their money back, together with whatever dividends the stock had earned while registered in their names, but those who remained faithful would get a special reward. For the five-year period, the corporation would continue to pay the five-dollar bonus on the stock of those who failed to complete payment. This money, with interest at 5 per cent, was to be divided up at the end of the period among the employees who had held on to their stock—and their jobs—to the end.

The executive bonus system also showed signs of Perkins's work in insurance. Only half of this bonus was to be paid out each year in cash. The rest would be invested in preferred stock of the corporation. Half of this stock would go to the recipient directly, the rest was to be held for five years by the corporation. Although the dividends on this withheld stock would be paid out each year, the stock itself could not be touched by the employee

until the "tontine" period was over. Then he got his stock, and with it his fraction of the stock of those participants who had left U. S. Steel during the five-year period.[16]

Of the two parts of Perkins's plan the scheme for selling stock to employees was the most significant and interesting. The plan proved very popular at first. It is not remarkable that practically all the men in the top three classes (employees making more than $5,000 a year) subscribed. But thousands of skilled and semi-skilled hands signed up for stock too, and about 10 per cent of the 122,000 unskilled workers in Class F also entered the plan. However, it was unrealistic to expect very many of these unskilled workers, whose average annual income was between $500 and $600 to buy even a single share of eighty-dollar stock. Even for many of the better-paid men the cost was too high. Nearly a thousand who subscribed withdrew without making a single payment. Thousands more fell by the wayside after a month or two. Within the year 12,694 withdrew, and 5,091 followed in 1904. Thereafter there were few dropouts, but by the end of the five-year period less than 10,000 workers still held stock. This group was entitled to divide the bonuses of those who had failed to complete payment, sold their stock, or left the company's employment for any cause. For each share of stock this "tontine" amounted to over sixty dollars, which, when added to the regular dividends and bonuses already paid, yielded a return of $125.04 in five years on an investment of $82.50.[17]

The great difficulty, of course, and it was probably insurmountable in the face of the pitifully low annual income of the average steelworker, was that this plan did not reach the masses at whom it was aimed. The profit-sharing idea became a permanent part of U. S. Steel's labor policy. But over the remaining years of Perkins's association with the corporation the percentage of workers subscribing to the plan never again approached the 10 per cent who joined the first year, and this despite a steady increase in wages throughout the period. In 1904, even at the bargain rate of $55 a share, less than 4 per cent of the Class F workers subscribed and most of these failed to complete payments and take possession of their stock.[18]

However, the plan did reach hundreds of men for whom no

attractive bonus system could be worked out. In 1905, which was a bad year, more than 8,400 steelworkers subscribed for stock, and even after deducting the nearly 2,000 who failed to complete their payments the number is large enough to indicate that the plan was reaching far down into the company hierarchy. The real beneficiaries were the skilled workers in the \$800-\$2,500-a-year bracket. In the first year 13,000 men in this category subscribed. There was a sharp falling off in 1904 and 1905 due to the bad times in the steel industry, but thereafter the numbers increased rapidly. Despite continued severe attrition even among the skilled workers who bought stock, a significant number of men became regular purchasers. In 1911 Perkins testified that over 30,000 workers actually owned steel shares; by 1915 so much stock was in the hands of the workers that Perkins suggested adding a steelworker to the board of directors; and in 1918, during the flush war period, 42,258 workers subscribed under the plan.[19]

Whether or not these men became more efficient and faithful workers as a result of profit sharing would be hard to say. Although the stock paid large dividends, a worker who bought only an occasional share could scarcely be much influenced by the dividends and bonuses *as cash*. "It is not the stock income," Perkins himself testified in 1911, "it is the investment [the worker] is making." In theory at least, ownership of stock had a psychological impact upon the wage earner. Indeed, critics have suggested that the plan was aimed at discouraging unionization; the skilled men who bought most of the stock were just the ones most susceptible to the attractions of unions. Should a worker be fired or even, in the early years of the plan, laid off, he lost possession of the stock and all claim to the bonus payments. Furthermore, he could not qualify for the bonus unless he had "shown a proper interest in [the] welfare and progress" of the corporation. These regulations acted to dissuade highly prized, skilled workers from taking other positions, and could be used as a club to discipline any men who, as Charles A. Gulick said in his study of U. S. Steel labor policy, had been " 'contaminated' with unionism."* Samuel Gompers of

* Actually, no evidence has been forthcoming to indicate that the "welfare and progress" clause was ever applied to deprive workers of their bonuses under the stock purchase scheme. The words, however, reflect the essentially paternalistic nature of all U. S. Steel welfare programs.

the A. F. of L. took a jaundiced view of the employee stock ownership plan, which he considered only a subtle substitute for plant policemen and Pinkerton detectives.[20]

Perkins's executive bonus scheme has also been construed as harmful to the interests of the workingman in some respects. The large sums involved (as much as $3,300,000 was distributed in a single year during the first decade of the corporation's history) spurred superintendents and other executives to put heavy pressure on their men in order to increase output. In an industry where hours were long and the work grueling and dangerous, the effect of such pressure was particularly harmful. An argument can be made for the proposition that both these "welfare" programs were related only to the welfare of the corporation and its top managers. The general labor policy of the corporation was certainly paternalistic and antiunion during all its early history. But if some in the corporation looked upon the two programs from this selfish point of view there is no evidence that Perkins intended them to serve any function other than the improvement of labor-management relations.

This was his intent, indeed, in all his actions regarding labor; only the effect of these actions is debatable. In fact, a strong case can be constructed for Perkins as a friend of the workingman. Gompers, despite his opposition to profit sharing, conceded that Perkins "had a broad human understanding of the problems of industrial relations," and John Mitchell of the mineworkers, whom Perkins first met during the great 1902 coal strike, was also a good friend. For a number of years Perkins paid one-third of Mitchell's $8,000 salary as head of the Trade Agreements Department of the National Civic Federation.[21]

"I am if anything inclined to be on the labor side of the average dispute," he claimed during a period of labor unrest in 1907. This concern was illustrated during a downturn in the steel business after the panic of 1907. In the winter of 1908-9 the corporation cut the prices of steel products. Other producers did likewise, but they also reduced wages. The presidents of the subsidiary companies urged the Finance Committee to follow the lead of their competitors, but Gary and Perkins resisted. "It would be a great mistake for us to reduce wages until we [can] see a little further

ahead," Perkins argued. "If the readjustments . . . made in the steel schedules should bring a revival of business with reasonable promptness . . . then wages ought not to be reduced." The argument within the company raged for weeks, and finally Morgan had to be called upon to settle it, which he did, as was usual, by siding with Perkins and Gary. By April business had begun to pick up, and in May Perkins was able to report to Morgan that opposition to their stand had collapsed. Perkins considered Gary's support in this dispute to be "worth one hundred times all the salary that the Steel Corporation would ever pay [him] in his lifetime," and while this estimate was exaggerated, it does illustrate his own concern for the workers' well-being.[22]

During the World War, steel profits soared to unbelievable heights, U. S. Steel's net earnings reaching $342,000,000 in 1917 despite the highest wages in the company's history. Yet Perkins continued to think in terms of improving the position of the laborer. He urged Gary to consider further wage increases and the reduction of hours. The corporation "must voluntarily make a more generous division of its profits or yield to compulsion," he stated. "The men who are big enough to project the Steel Corporation may be assumed to be big enough to recognize the temporary nature of bursting prosperity." One of Perkins's last memoranda to Gary, written in January, 1920, was a suggestion that "we ought to lose no time in getting after the eight-hour and the Sunday work problems."

Perkins's basically open-minded attitude toward the working man can be seen in an incident that occurred in April, 1915. He was making a speech on profit sharing at a Unitarian church on Park Avenue, and was heckled by two radicals, members of the I.W.W. One of these, a young man clad in a bright red sweater, interrupted his discourse, saying belligerently: "Do you mean to stand there and tell me that the men in the Steel Corporation work twelve hours a day because they want to?"

"They objected to a reduction in the hours," Perkins replied.

"You know as well as I do that there isn't a workingman in the country who would work such hours if he could make a living wage at shorter hours," the young man retorted scornfully.

"Well," Perkins answered, "shorter hours would have meant less earnings, of course."

At this point the other heckler jumped up. "J. P. Morgan started in to bust the labor union. He said he would smash it to smithereens and he did."

This attack on his old chief made Perkins lose his temper momentarily. "Here, you can't stand there and say that," he shouted, pointing his finger menacingly at the heckler. "Don't tell me that. It is false. Labor never had a better friend than Mr. Morgan."

But he quickly cooled off, and when the man in the red sweater resumed the attack with an intemperate criticism of the profit-sharing plan ("What I want to see," he said, "is all the profits taken away from the bosses and nobody allowed to live who doesn't work.") Perkins heard him out good-naturedly. After the meeting, he remained chatting with his young critic for half an hour, and they parted, shaking hands, in high good humor.[23]

But Perkins was not ready to deal with the workers on an equal basis across the bargaining table. His attitude, like that of most of the business executives of his time, was very paternalistic. He was never really sympathetic to *organized* labor. This can be seen more in the tone of some of his statements than in his specific actions. In 1907, for example, the Western Federation of Miners, attempting to organize the workers in the Mesabi region of Minnesota, called a strike to enforce wage demands. Perkins hastened to assure Morgan that only a small minority of the men had joined the union and that its demands for "extraordinary increases in pay" were completely unreasonable. Since Gary and President William E. Corey were out of the country at the time, Perkins had the major responsibility in dealing with the strike. He refused to negotiate with the Federation on the ground that "the men" did not approve of the strike and were being "intimidated" by a "very dangerous" gang of professional organizers. Being assured of the support of the local police, he was ready to open the mines despite union pickets. "We certainly cannot afford to have the Western Miners' Association get control of *our* men," he told Morgan. Even if Perkins was correct in his statement that the main body of the miners was opposed to the union, he showed no desire to understand the union point of view, and a too ready willingness to

assume that he could read the thoughts of "the men." Similarly, he seems to have been unaware of the naïveté and smugness of his remark to Theodore Roosevelt after the board of directors had voted a wage increase in 1918: "At last, in this country, a Finance Committee and Board of Directors . . . sat down around a table and . . . as a result of their deliberation, acted with what seems to be absolute equal regard and consideration for the interests of both [stockholders and workers]." The company employed 260,000 workers, Perkins continued, and not one of them had demanded or expected this raise, firm proof of the high-minded generosity of U. S. Steel.[24]

Perkins was very proud of his connection with the steel corporation. A great admirer of size, he sometimes tended to minimize the complications and confusion connected with the operation of a billion-dollar business. He could not, however, escape them. For one thing, men who had worked for years in competition with one another did not co-operate smoothly and automatically merely because their plants had been merged. Rivalries between manufacturers continued, just as new rivalries sprang up between manufacturers and bankers. Perkins's plan for executive bonuses was supposed to counteract this competitive tendency. It was necessary, he told a magazine writer in 1907, to develop a scheme whereby officers in one subsidiary would be as interested in the success of another branch of the business as in their own. Since all shared in the bonus money in accordance with the total corporation profit, "the officers of company A would be just as keen to see company B succeed as they had been previously to see that company B failed."[25]

But while intersubsidiary rivalry was a problem, dissension between the subsidiaries and the central management was far more important. Although Gary emerged as master (subject to Morgan's approval) early in the corporation's history, his rule was menaced by passive resistance and upon occasion by outright revolt. Conflicts arose from many sources. Plant executives faced with practical problems sometimes found it difficult or inconvenient to comply with orders from New York; when this was the case they often kept silent and did as they pleased. As late as 1920 Gary was com-

plaining to Perkins about how hard it was to get the subsidiaries to cut down on Sunday work despite "the positive instructions" he had issued.

The demand for steel was subject to rapid fluctuations, and few plant superintendents seemed able to take the long view on profits and losses. The members of the Finance Committee, seeking stability, tried to prevent the lowering of prices in bad times and to resist price increases when demand was high, but in both situations they were usually opposed by the heads of the subsidiaries. Beginning in 1907, Judge Gary adopted the policy of inviting the independent steel manufacturers to meet with U. S. Steel executives periodically to discuss business conditions. The frankly expressed objective of these "Gary dinners" was to bring about a voluntary stabilization of prices. At one such meeting, held in May, 1908, during a period of declining business, it required great effort before all concerned would agree to hold the line against price cuts. The independent operators, however, were not the chief dissenters. "Judge Gary and I," Perkins wrote to Morgan in describing the meeting, "really had more trouble within our own ranks than with outsiders."[26]

In this particular situation Gary finally had to give way. In February, 1909, efforts to hold the line collapsed and, for the first time since the organization of the corporation, there was an "open market" in the steel business. When business picked up shortly thereafter, the corporation ran into difficulty from the other direction, for then the subsidiaries wished to raise prices to take advantage of the new demand. "There is nothing that needs to be watched quite so closely just now as what the subsidiary companies are inclined to do," Perkins wrote in an October, 1909, memorandum criticizing the subsidiaries' presidents. The nation's economy would be vastly benefited if "all articles we manufacture would have a price that was at least approximately stable." Prosperity made it possible to accomplish this objective, he added, but "some of our subsidiary companies are inclined to think that our function is to get the very last dollar . . . when trade conditions make it possible." In another memorandum, written one month later, he was even more specific: "Nothing is so important as to watch this matter all along the line and not let the boys run away with

the situation. Nothing would be easier at the moment than to advance prices until we had 'killed the goose that laid the golden egg' and, above all, charged a price that would be unfair to the public."[27]

However, neither shortsightedness nor divergent views of sound policy are sufficient to explain all the wrangling that developed within the steel hierarchy; personal and temperamental factors were equally important. Units like Carnegie Steel and Oliver Mining were large corporations in their own rights. The men in charge of these companies, rich, powerful, knowledgeable, and energetic executives, simply did not adjust easily to harness, especially when the reins were held by financiers and professional organizers who knew little about the technical side of the business. The influence of the steel men had been sharply curtailed by the eclipse of Charles M. Schwab and the dissolution of the Executive Committee. To the exact extent that a man like Perkins wielded power, plant managers lost control over policy.

When Schwab resigned as President of U. S. Steel in 1903, he was replaced by William E. Corey. Like Schwab, Corey was a product of Andrew Carnegie's system of pushing able young men forward as rapidly as they could learn to handle big jobs. Beginning as a common laborer in Carnegie's Braddock mill, he rose to be a plant manager at the age of twenty-three. He inherited Schwab's job as head of Carnegie Steel in 1901, when Schwab became President of U. S. Steel. He was then only thirty-five. Developer of an important process in the forging of armor plate, Corey knew the business thoroughly and sympathized with the men who dealt at firsthand with the problems of making steel.

But unlike Schwab, whose position in the corporation had not been clearly defined when he became President, Corey's role was limited from the start. While his experience entitled him to a voice in corporation decisions, he was always subordinate to Gary and the Finance Committee. For a time he accepted this state of affairs, but, in 1909, he "revolted." As a result he found himself out of a job.

The decline and fall of William E. Corey makes a complicated story, but one that repays investigation because it explains so much about Perkins and the steel corporation. In part Corey's troubles,

like Schwab's, grew out of his personal affairs. After twenty years of presumably happy marriage he had taken up with a New York chorus girl. In 1907, to the indignation of respectables in and out of U. S. Steel, he had divorced his wife and married the chorus girl. A man of lavish tastes, he indulged his new bride's every whim. For a brief vacation at a hunting lodge in Michigan he engaged a twelve-piece orchestra so that she would not have to neglect her voice lessons; rumor had it that he was building a million-dollar theater for her because the one in his château outside Paris was "too small for concerts." Clever reporters found it easy to exaggerate his behavior, and to distort Mrs. Corey's somewhat naïve replies to loaded questions about her "career."[28] But as was the case when Schwab visited Monte Carlo, the truth was less important than the bad publicity.

By the fall of 1908 Corey's personal affairs were front-page news in the yellow press. Soon thereafter, he began to clash with Perkins and the Finance Committee on policy questions. He spearheaded the drive in the spring of 1909 to cut wages. In the altercation over raising prices later in the year, Corey was again in opposition; Perkins sent him a number of rather peremptory memoranda on the subject, messages that probably were written down "for the record" to avoid an expected misunderstanding at some later date. In October, 1909, when the entire industry tendered Judge Gary a testimonial dinner, Corey ostentatiously absented himself from the affair, saying that he disagreed with Gary's views and would not "inconvenience" himself in order to honor him.[29]

The showdown, however, grew out of an entirely unrelated incident. During the fall of 1909, Judge Gary became concerned over certain mining properties of the corporation in Coleraine, Minnesota. The Oliver Iron Mining Company was developing these properties so the Judge sent for John C. Greenway, General Superintendent of Oliver. Greenway was told to come to New York at once, and to "keep the matter strictly confidential." He arrived in New York on November 19, engaged in a series of frank discussions with Gary and Perkins, and then returned to Coleraine and resumed his regular duties.

Because of Gary's instructions, Greenway did not inform the President of Oliver Mining, William J. Olcott, of the reason for

his trip to New York. Olcott, however, began to hear rumors that information about his company was "leaking" to the central office. Casting about for the source of these "leaks," he recalled Greenway's visit. Olcott was a typical subsidiary president: aggressive, experienced, and forthright. Since 1901 he had managed all the mining properties of U. S. Steel, but he had become head of Oliver only recently and was sensitive about "interference" with his management. He summoned Greenway to Duluth and charged him with disloyalty. Greenway readily admitted answering Gary's questions about operations, pleading the board chairman's higher authority. Olcott nonetheless demanded that he resign, and when Greenway refused, he fired him on the spot.

Greenway hastened to New York to appeal his case to Gary. The Judge consulted Perkins. At first Perkins reacted cautiously, suggesting that they should send for Olcott and get his side of the story, but once Olcott had been brought to New York and the facts as stated by Greenway confirmed, Perkins and Gary considered the situation beyond argument. Sound principles of administration required that Greenway be reinstated at once. On December 29, Gary, Perkins, Olcott, and President Corey engaged in a long discussion of the problem in Gary's office at 71 Broadway. Whatever his failings, Corey did not lack courage; he supported Olcott's position wholeheartedly, siding once again with the manufacturers against the bankers.

Perkins was determined to force a showdown: "I . . . asked Mr. Corey if he meant to say that he would justify the discharge of an employee of a subsidiary company for obeying instructions given by an officer of the Corporation. He said that he certainly would. I then repeated the question and asked him to be extremely careful as to how he committed himself because, in my judgment, he was dead wrong. Nevertheless, he reaffirmed his position."

The conference broke up without any final decision, but as they left Gary's office Perkins told Corey that Greenway "must" be reinstated. Corey replied icily that to reinstate him "was utterly impossible and out of the question." Perkins, according to his own account of the incident, then went directly to his office in the House of Morgan and talked with J. P. Morgan, Jr., who was "even more pronounced in his views on the subject." Next Perkins

and Morgan went uptown to the Morgan Library on Madison Avenue to confer with "the Senior." Gary joined them there, and the elder Morgan agreed with them fully that Greenway must be reinstated.

The next day Perkins telephoned Corey and asked him if he had "any new ideas" on the problem. Corey replied that he had not been so inspired. He warned Perkins that if Greenway were restored to his position, Olcott and several other Oliver officials would resign. If that were the case, Perkins retorted, their resignations would be accepted. Later in the day Perkins conferred at the Morgan office with two other members of the Finance Committee, George Baker of the First National Bank and Henry C. Frick. When he had explained the problem to them they reacted just as their backgrounds would have led one to expect: Baker, the banker, was for restoring Greenway; Frick, the manufacturer, was for backing up Olcott.

"Mr. Frick," said Baker incredulously, "if an executive officer of the Steel Corporation sent for a subordinate . . . and told him to do a certain thing and to regard the order as strictly confidential, should that sub-officer . . . report it to his subsidiary President?"

"Yes, he should," said Frick.

"Well," said Baker, "then suppose that the subsidiary President told the man not to obey. . . . What should he do then?"

"He should obey the instructions of his subsidiary President," Frick replied.

At this point Perkins broke in. "I would vote exactly the opposite way if the matter got before the [Finance] Committee," he said. After a good deal of general discussion this meeting broke up without Frick's mind having been changed.

Over the New Year's weekend the situation developed rapidly. In order to force matters Gary sent a note to Corey directing him to "request" that Olcott reinstate Greenway. Corey flatly refused, asking that the matter be called to the attention of the full Finance Committee. Gary sent him another note, drafted in conference with Perkins, in which, with great restraint, he urged Corey to reconsider, offering to talk with him privately if he so desired. Corey did not even answer. Instead he began to summon the heads of the more important subsidiaries to town, calling upon

them for support in his battle with the bankers.

On Monday morning, January 3, 1910, Gary made still another attempt to bring Corey to his way of thinking but Corey would not budge. When Gary asked him the reason for the sudden arrival of so many subsidiary presidents in New York, Corey told him "he would rather not answer that question." But a few hours later William Pendleton Palmer, President of the American Steel and Wire Company, a subsidiary of U. S. Steel, appeared at Gary's office and went on record as favoring Corey's position in "the Greenway matter."

"When I learned of these interviews," Perkins recorded three days later, "I talked the situation over with Mr. Morgan, Jr. and we asked Mr. Baker and Mr. Frick to come to our office. . . . They both thought the situation very serious and Mr. Frick suggested that we have Mr. Corey come to J. P. Morgan & Company's office and have a talk with him. I said that I thought this would not be worth while as the matter had now reached a point beyond the Greenway incident; that the real question before us was Corey's refusal to carry out Judge Gary's request and the appeal he was evidently making to the subsidiary presidents, to support him in his refusal. Mr. Baker and Mr. Morgan, Jr. thought this was the correct view of it and we suggested that perhaps Mr. Frick would like to have Mr. Corey come to his office and Mr. Frick said he would do this."

During the remainder of the day Perkins checked with other members of the Finance Committee: Norman B. Ream, Henry Phipps, P. A. B. Widener. All agreed with his position. In the evening he visited the elder Morgan and found him "very pronounced in his opinion that we were taking the right course." Corey, too, had evidently been scrambling for backers, for both Phipps and Ream reported visits from him on January 3.

The decision was finally made on January 4 by the Finance Committee, in a session that lasted from half past eleven until two-thirty in the afternoon. Gary spoke first, and then Olcott, at Corey's request, was called before the group to explain his side of the case. Next Corey made his plea: Gary's method of administration "would result in great demoralization to the organization." There was much discussion, the committee frequently breaking up into smaller

groups to thrash out the issue. Perkins, backed by "Jack" Morgan and Baker, wished to demand Corey's resignation at once, and dismiss him summarily if he refused to go voluntarily. The others, including Frick, urged moderation, but they understood clearly that Corey's removal was inevitable if he did not submit to Gary's authority. Finally Frick took Corey aside and argued with him earnestly. Corey, realizing that the committee was unanimous in opposing his interpretation of the authority of subsidiary presidents, finally gave way. Frick came back to Perkins and said that "he believed" that if the committee reinstated Greenway, Corey would execute their order without argument. He asked Perkins if that would be satisfactory. Perkins, thoroughly aroused, simply agreed to consult the elder Morgan about Corey's future; then he moved the reinstatement of Greenway. Baker supplied the second, and without further debate the committee voted unanimously in favor of the motion. Next day, in the Morgan Library, the committee met again very briefly. "It was decided," Perkins recorded cryptically, "to hold in abeyance the question of any action in connection with Mr. Corey, pending general developments."[30]

These developments were not long in coming. After the Finance Committee had made its unanimous decision restoring Greenway, Perkins had turned to Gary and said: "Is there anything further that you should like us to do?" "Yes," Gary had replied, "I should like a resolution more definitely fixing my status in this Corporation." As a result, on May 1, the Board of Directors passed the following by-law:

> The chairman of the Board of Directors shall be the chief executive officer of the corporation and, subject to the Board of Directors and the Finance Committee, shall be in general charge of the affairs of the corporation.[31]

Corey, his "revolution" crushed utterly, faced nothing but further humiliation. On January 8 he attended a hundred-dollar-a-plate dinner in his honor given by the officials of the Carnegie Steel Company. The dining room of Pittsburgh's Fort Pitt Hotel had been decorated lavishly for the occasion. The guests received solid gold stickpins as favors, and they were regaled by President Corey, who spoke in praise of their "excellent showing" during the past

year. Morgan was furious when he read of this gorgeous display of corporate prodigality. It was reported that his daughter, Anne Morgan, well known for her charitable activities, had been outraged by the wastefulness of the affair, and that Morgan was conducting an "investigation." Perkins (Morgan's "right hand man") sent a copy of one of the newspaper accounts to Corey with this peremptory note:

> I would like the facts in connection with the enclosed. . . . In this connection two or three times I have been on the point of speaking about the dinners given here annually for the subsidiary Presidents. . . . People in charge of such matters as this ought to be constantly kept in mind that it is not their money but the stockholders' money that is being spent for such things.

By April Morgan had determined to demand Corey's resignation, agreeing only to postpone his removal until the summer. There were further delays, however, and Corey did not step aside until the end of the year.

His resignation was given to Morgan by Henry C. Frick. "The resignation of Mr. Corey desired by you is herewith enclosed," Frick's covering letter ran. "It seems to me there is no necessity of having a President, [but] if so I would favor Mr. Farrell."* The choice of Farrell, who was connected with the export side of the business, would, according to Frick, "avoid any friction" within the various branches of the corporation.[32]

* James A. Farrell, who actually became the next President.

CHAPTER VII

THE HARVESTER TRUST

On Friday, June 14, 1902, George Perkins received a telephone call from John D. Rockefeller, Jr. Rockefeller had a confidential question to ask in behalf of some Middle Western friends. What did Perkins think of Francis Lynde Stetson, the Morgan lawyer, as a "negotiator"? The Middle Westerners were the three sons of the late Cyrus Hall McCormick, inventor of the reaper and founder of the McCormick Harvesting Machine Company. They were interested in some kind of merger or reorganization of the harvester industry and were looking for a go-between to deal with their competitors. They had called upon Rockefeller, whose sister had married one of the McCormicks, for his judgment on Stetson's qualifications, but Rockefeller felt that his own knowledge of Stetson was inadequate.

Perkins told Rockefeller that Stetson was without peer as a lawyer but that his talents were less suitable for the kind of "negotiating" that the McCormicks evidently had in mind. Why not have them talk to someone at Morgan's? He, George Perkins, was on hand and would be happy to discuss their problem.

That afternoon, when Cyrus Hall McCormick, the eldest son and President of the company, and his brother Stanley called again, Rockefeller urged them to see Perkins right away. The two brothers hurried from the Standard Oil Building on Broadway to the Morgan offices on Wall Street.

The union that the McCormicks were in New York to consummate had been long sought but never achieved. Their company was the largest and most respected in the harvester industry and it had yielded large profits to the McCormick family. But for years they had been plagued by the bitterest competition imaginable. Their

chief rival was the company headed by old William Deering. Unlike their own father, Deering was neither an inventor nor even an early entrant into the harvesting machinery industry. But by 1900, the Deering Manufacturing Company was almost as large as the McCormick Company, and in some ways it was more creatively and aggressively run. Smaller rivals, such as the Champion, Plano, Massey-Harris, and Milwaukee corporations, did not compare with the two leaders in size, but they competed intently nonetheless. Thus, despite a rapidly increasing demand for agricultural machinery, none of the companies was making as much money as its owners wished, and nearly all these owners were eager to talk about amalgamation. Leadership in any combination movement would have to be left to Deering and McCormick however, for unless they could get together amalgamation would be fruitless.

Unfortunately, the Deerings and the McCormicks were hostile and mistrustful toward each other. Several times, most notably in 1891, in 1897, and in 1901, they had tried to merge their interests for the sake of peace and profit, but always without success. However, after the attempt in 1901, old William Deering retired, turning the Deering Company over to his sons. No doubt this encouraged the McCormicks to make another try. In any case, Cyrus, Stanley, Harold (Rockefeller's brother-in-law), and their uncle Eldridge Fowler were in New York in June, 1902, looking for advice on how to proceed with a possible merger.

The path that led them to Broad and Wall streets was tortuous but worth retracing if one is to understand what followed. Back in February, Cyrus Hall McCormick had received a telephone call from E. H. Gary of U. S. Steel. The judge was somewhat disturbed by the trend of events in the harvester industry. More specifically, he had noted that the Deerings were buying up iron ore lands and building a rolling mill. Realizing that the Deerings had been driven to this by the need to cut costs, and that competition made cost-cutting necessary, "the idea of a combination came immediately to his mind" as an alternative to such heroic means of economizing.

Gary's ensuing description of the advantages of establishing a harvester trust provides an interesting insight into early-twentieth-century corporate finance. Suppose the five principal harvester companies possessed assets of $83,000,000, he began. By getting

together in a new combination they could issue $83,000,000 of preferred stock and $83,000,000 of common! Someone like J. P. Morgan could handle the details, receiving, say, 30 per cent of the common for his labors. Suppose the McCormick's assets were worth $25,000,000 before the merger. Their preferred stock in the new company would sell probably for about $85 or $90, while their common would be worth about $40 or $45. This, Gary explained, would mean an increase of about 35 per cent over the market value of their present holdings. Still better, he went on, "this increase would not be fictitious but real value, owing to the fact that by a combination they would secure stability of prices and diminishing expenses, even though they did not secure increased prices."

McCormick was suspicious of this so-easily-obtained prosperity, but he was interested in it too. He promised to talk to his brothers, and Gary offered to discuss the matter with the Deerings if the McCormicks so desired.[1]

The McCormick brothers needed no convincing that a combination with the Deerings would be desirable, and they saw the advantage in employing a go-between. ("Some middleman will have to get a commission," Stanley McCormick admitted, "and I see no reason why this man should not be the one Judge G. suggests. He surely has the advantage of experience.")[2] Being conservative, however, they opposed watering the stock of their family-owned company. They were also proud, and determined that as leaders of the industry they must dominate any merger in which they joined. The idea of dealing with the powerful Morgan was, while intriguing, also frightening. They therefore explored a number of other possible approaches to their problem.

One was to turn to their in-laws, the money-laden Rockefellers. Perhaps they should ask John D. to buy out Deering. The difficulty with this plan was that it would withdraw the experienced Deerings from the industry and give the McCormicks no greater share of the field than they presently controlled. But Rockefeller was fond of the McCormicks, and offered to lend them money to buy Deering out themselves. In April, Cyrus McCormick met James Deering (not by accident) at a reception in Washington for Jules Cambon, the French Ambassador, and sounded him out on this possibility. Deering promised to discuss a sale with his father, whom he was about

to visit in Florida. In May, two other members of the family, Charles Deering and his brother-in-law, Richard Howe, met with Cyrus and Harold in Chicago to talk the idea over. With charming frankness, the Deerings explained that they would be glad to sell, but would want a great deal more than their company was worth at the moment. They would part with their property only in exchange for a sum proportionate to its *potential* value as part of a harvester monopoly.

The rival brothers held a series of discussions in May, 1902, and thrashed out several possible plans for a merger. One, for example, provided that the Deerings and McCormicks exchange minority interests in each other's companies and then jointly purchase their leading competitors, amalgamating them into a third company. But none of the plans could win general support. Deering and McCormick could be perfectly cordial in personal conversation, but apart, their mutual rivalry and suspicions gained the ascendancy. It was simply impossible for them to work together, for each family was determined that the other must not gain control of the combination both desired. The McCormicks finally decided that if there was to be a merger, outside capital, either "friendly" or "neutral," would have to be called in to act as a "balance wheel" between the two forces. Each family, as events were to prove, preferred to hand over control to a stranger rather than to share it with the other.[3]

All the harvester leaders were growing weary of the incessant competition. Late in May, Harold McCormick chanced upon J. J. Glessner of the Plano Corporation after a meeting of the Chicago Orchestral Association's board of directors. If only the Deerings and the McCormicks could get together, Glessner said, "the rest . . . would be easy." Really, something should be done soon. Glessner was getting on in years. "The present fight," he told McCormick, is "having a wearing and tearing influence all around, making such people as ourselves work hard when there is really no need for working, fixed as we are financially."

Finally, on June 4, the McCormicks held a family conference to settle policy. They had six different plans under consideration, each involving complicated financial and legal problems. As a result they decided to go to New York to discuss the various possibilities with the experts.

They settled down at the Waldorf on June 8 and began to consult with financiers and lawyers. William D. Baldwin, President of the Otis Elevator Company, described his own recent and successful experience in combining rivals in the elevator business. John D. Rockefeller, Jr., pointed out the vital importance of reaching an understanding with the Deerings if outside capital was to be attracted to any new venture. Francis Lynde Stetson, who had helped the McCormicks in earlier efforts to amalgamate with the Deerings, warned them of the recently increased danger of what he called "federal interference" with their combination plans. Theodore Roosevelt was now President of the United States, Stetson pointed out. It was two years too late for organizing trusts, especially in an industry like theirs. A harvester trust "would offer an opportunity to the President to challenge any amalgamation, as it dealt directly with the farmer and could be made use of by him in getting the . . . farmer's vote."[4]

Gradually, from the welter of advice, certain facts emerged: An outside "negotiator" had to be found. Purchase of the Deering interests was impractical. Some merger plans were so obviously in violation of the Sherman Anti-Trust Act as to be useless. No combination without both the McCormicks and the Deerings would interest any New York banker or lawyer. The McCormicks came more and more to feel that Stetson should handle whatever negotiations they undertook. On June 13 Stanley McCormick and his uncle Eldridge Fowler called on John D. Rockefeller, Jr., to ask his opinion of Stetson. He agreed to consult Perkins. The next day, as we have seen, Rockefeller sent Cyrus and Stanley to see Perkins themselves.

It was late in the afternoon when the McCormicks arrived at the Morgan offices and little could be done aside from describing their problem. Would Perkins really be interested in acting as a go-between? The McCormicks had not considered employing the House of Morgan since they saw no need for a syndicate, their private sources of capital being such as to eliminate the need for outside funds.

Perkins was interested. "I may tell you confidentially," he said, "that the D[eering] people four of five months ago brought this

same matter to my attention. They proposed through a representative that I should put together the Reaper Companies, but I declined the suggestion at once . . . feeling that if anything was done at all it should be begun with the largest company in the business. A similar case existed with many of the Steel Co[mpanies]," Perkins continued. "We paid no attention to the smaller until Mr. Carnegie said he would like Mr. Morgan to take up the question. Then we felt there was something substantial to it and we did so." The harvester merger was "an interesting question of a most dignified character." If the McCormicks desired it, he would be happy to attempt the consolidation. "Come in on Monday at 3:30 and I will go over the whole matter with you in a leisurely way."

When they met again on June 16 it was at the Waldorf rather than at Perkins's office. He told the brothers that he could not act for them as an individual, but only as a member of the Morgan firm. As to how he would proceed, there could be no pat answer; each Morgan consolidation was a separate problem requiring an individual solution. In general, he could say that the firm was opposed to watering stock, but water was sometimes necessary "when exorbitant demands had to be dealt with liberally." The Deerings, for example, might well ask for $5,000,000 more than their holdings were actually worth, yet their holdings would be essenital to the success of any combination. As to the charge imposed by his firm, well, that would depend upon the services performed. Assuming that no money had to be raised, 1 per cent of the new corporation's assets probably would be satisfactory. If one could presuppose a combination with assets of $100,000,000, the fee would be a mere million. Should it develop, however, that a syndicate were needed, the cost would be considerably greater. The McCormicks listened to this, thanked Perkins, and promised to make a decision soon about employing him. Next morning, at another conference, they formally asked him to undertake the job. The conditions of his employment were rather odd, since Perkins technically would be working for a still unborn corporation. The McCormicks would supply him with full data on their own company, together with their best estimates about their competitors' business. They agreed to break off personal negotiations with the Deerings so that Perkins could approach them as a disinterested

third party. They also agreed to stop dickering with Stetson, so that the House of Morgan would feel free to make use of his services.[5]

Perkins had entered the picture in the guise of an expert "negotiator," whereas in fact it was his firm, not he, that had the experience at organizing industrial combinations. More knowledgeable businessmen than the McCormicks might have been less willing to turn such a responsible task over to him. As a matter of fact, Perkins was brought up short almost at once by his senior partner, J. P. Morgan.

Immediately after his first talks with the McCormicks, Perkins cabled Morgan, who was in Europe, asking his permission to take on the job. Morgan replied, characteristically, that the firm already seemed to have all the business it could handle, but that if those on the scene in New York approved, Perkins should go ahead. However, he was opposed to having Perkins act merely as negotiator. "It is more than likely that in the end we will come to have a greater relation to the transaction than simply as negotiator," the "Senior" told Perkins. The firm should take on the project in its "usual" manner. It would be unwise to state in advance the compensation required. So Perkins was forced to meet once more with the McCormicks to discuss the exact nature of his functions.

After reporting on Morgan's preferences in the matter, he added, somewhat abjectly, one may assume: "We are disposed to defer, in an important matter of this kind, quite largely to his judgment."

Cyrus McCormick then asked Perkins to tell them what the "usual" Morgan services were. To start with, Perkins explained, McCormick should ask Morgan to undertake the amalgamation of the industry. Next, Morgan and Company would investigate, consulting and questioning the various producers in the field as to their interests and opinions. Then the firm would prepare a plan and submit it to the chief corporations in the industry. If approved, the House of Morgan would estimate the working capital necessary to organize the new concern, and form a syndicate to raise this money. If $10,000,000 were needed, the syndicate would issue $15,000,000 in stock, the extra millions representing the syndicate's "bonus." "This syndicate Mr. Morgan would form himself," Perkins explained. "He would first offer participation in this syndicate

to the Reaper people . . . and their friends and he would no doubt participate himself. . . . It is our . . . desire to make the capitalization as low as possible . . . but it frequently happens that a man or a business must be dealt with on terms which might seem unequal to the terms of others, but which viewed from a broad basis must be dealt with, even at some little sacrifice to the new Company."

Stanley McCormick asked what the cost would be if the McCormicks subscribed for the whole sum raised by the syndicate. "In that case," Perkins said, "Mr. M[organ] would review the matter and see what work he had done. . . . In any event he would fix a fair sum for our compensation that would be paid in stock." The total cost might run anywhere between two and five million.

This considerable hiking of Perkins's original estimate gave the McCormicks pause to reflect. Perkins noticed this, and to avoid any possible misunderstanding later on, he reminded them that Morgan would also insist upon choosing all the officers and directors of the new company. "This point," he explained, "M[organ] & Co ha[ve] found indispensable in making their combinations." Determined upon ending the bitter competition in their industry, and incapable of dealing directly with the Deerings,* the McCormicks reacted to this frank appraisal of the concessions they must make if Morgan was to manage the merger by committing themselves even more deeply. They told Perkins about the Milwaukee Company.[6]

Early in May, before they had decided to seek outside aid in organizing the merger, the McCormicks had employed one P. D. Middlekauff as a secret agent to negotiate for the purchase of the Milwaukee Harvester Company. Middlekauff interviewed the owners of this corporation and found them most receptive. No final price was named, but the Milwaukee people made it clear they would sell out on reasonable terms. They did not, for example, place any monetary value on the firm's good will, although their business was prosperous and growing. For $10,000, posted as a "forfeit" (a sort of option) Middlekauff obtained from them a full statement of their assets and the condition of their company.

* Perhaps they feared the Deerings more than they were willing to admit, for the Deering Company was growing faster then their own and displaying signs of pressing for still further expansion.

The McCormicks had failed to act on this information, but now Harold McCormick told Perkins about the availability of the concern. For a mere $100,000 one could obtain an option to buy the entire assets of the company. The selling price itself was only $4,000,000, a great bargain. Morgan should take up this option and enter the new combination as a "manufacturer," not merely as a banker, McCormick suggested. Perkins saw the force of this argument at once; without hesitation he authorized the McCormicks to advance the option money to Middlekauff if they decided to employ J. P. Morgan and Company.

This conference, which took place at Perkins's office in the New York Life Building on June 20, broke up at about one o'clock in the afternoon. Perkins left the McCormicks in order to attend to some other business, while they promised to consult their mother and sister in Chicago about Morgan's terms. However, they were too deeply involved to withdraw, or even to wait to hear the comments of their women. Before Perkins had left the building they had decided to go ahead. Calling him back, they told him of their decision. He expressed his pleasure, made an appointment for another meeting, and told them to proceed with the purchase of the Milwaukee option.[7]

Later the McCormicks prepared a long explanation of the factors behind the decision. They listed six reasons, of which the last was the most important: Employing Morgan would provide "a dignified solution to the problem of control by putting this in the hands of financial parties of such strength that they could not be bought out or tampered with by the D[eering] people." If surrender was the only means to peace in the industry, one could at least turn one's sword over to a friendly neutral.

Now Perkins assumed his role as a "neutral" seeking to "reconcile" all the interests in the industry. "The three sons decided that they would have us take up the business in our regular way," he informed Morgan. "It is thoroughly good business." (He did not tell Morgan that he had invested $100,000 of the firm's money in an option on the Milwaukee Company until that transaction had been completed).[8] With every important element in the industry eager for a merger, he made rapid progress. In Chicago, Harold and Cyrus McCormick conferred with the Deerings, telling them

of their talks with Perkins. "I think you have done a very wise thing," Charles Deering told them. He was ready to talk with Perkins to see what could be done. Hearing this, Perkins prepared to approach the Deerings through Judge Gary. By the twenty-fifth, Middlekauff had obtained the Milwaukee Company option (the negotiators referred to this transaction as the "Beer deal") and was hurrying to New York with more data on that firm. Meanwhile, Perkins was quizzing Stanley McCormick, who had remained in New York, about every conceivable aspect of the industry as a whole and the McCormick Company in particular. McCormick took away with him a long list of requests for facts that Perkins wanted: an account of all earlier merger efforts, a recent balance sheet of the McCormick Company, together with details on the costs of operation and of distribution, copies of standard forms used by salesmen and agents, an account of the "labor situation," breakdowns on the installment plan selling which the company practiced, and so on.[9]

By the first week in July these reports were on Perkins's desk, and he was busy digesting their contents and getting in touch with the other manufacturers of farm machinery. But while these men were assembling in New York, the McCormicks were beginning to feel a certain uneasiness. On the afternoon of June 27 Stanley McCormick ran into his Rockefeller brother-in-law on the "el" going uptown: Rockefeller had been against investing heavily in the McCormick enterprise on the ground that "he preferred to keep [the McCormicks] as friends than to make money together," but his father, the original John D., feeling no qualms about investing in a relative's business, had overruled him. Expressing doubt about turning the *financing* of the combination over to Morgan, the younger Rockefeller suggested that the McCormicks make very clear to Perkins that "after counting noses around, we find that we have over and above our assets a certain amount of capital which we would like to put into the deal." They should not, however, let anyone at Morgan's know where this "certain amount of capital" was coming from.

A few days later Harold McCormick visited the elder Rockefeller in Cleveland. "He said," Harold reported to the other McCormicks, "that he would be glad to join our Company and put

his interests in our hands to practically do with it as we desire." If the merger fell through, Rockefeller had added, he would like to help out by putting up money to purchase the Milwaukee Company for the McCormicks. Family sentiment had nothing to do with the question. His relationship with their family, he said, was an "alliance" to which he could contribute "strength" and from which he could obtain a "good investment."[10]

Access to such an inexhaustible supply of cash made the McCormicks consider their hasty commitment to Morgan in a new light. They decided to employ a lawyer to check up on the soundness of Perkins's various plans and suggestions. The man they selected was William Nelson Cromwell of the firm of Sullivan and Cromwell, one of the shrewdest, most experienced, and most expensive corporation lawyers in the nation. Cromwell had done a great deal in the field of corporate reorganization, having worked both with Morgan and independently in bringing about a number of mergers. The advice he gave the brothers was essentially sound, but he flavored it with many critical dissertations on Morgan, Perkins, and bankers generally. Morgan, according to Cromwell, "had an instinct for discovering popular feeling toward investments," but he was "only a banker" and given to the reckless inflation of securities to enhance his own profits. Perkins was "a hard worker, very industrious and ambitious and the only one in the firm who really did [any] work," but he was new to the business and had never before acted as a "negotiator." Be very, very careful, Cromwell told the brothers, or "you [will] be uchred [*sic*] out of your boots." It was too bad, he told them sadly. "The business . . . would have been closed up long ago if you had come to me in the first place."[11]

Despite Cromwell's advice, the McCormicks did not seriously consider abandoning Perkins before seeing what he had to propose. And Perkins, blithely ignorant of their doubts, was carrying out the reorganization with incredible rapidity. As the leaders of the industry trickled into New York, Perkins saw to it that they were installed in separate hotels so as to discourage their comparing notes. Scurrying about from hotel to hotel, he "traded" with each group, balancing, haggling, figuring, arguing, conceding this point here in return for another somewhere else.

In a typical conference he might have to deal intelligently with such questions as the value of one company's good will, ore lands, partly constructed buildings, and farmlands, with the legal problems related to the choice of the state in which the new company was to be incorporated, with the exchange of patents, the need for working capital, and countless other details. In each case he was dickering with men who had an intimate knowledge of their own affairs, whereas his understanding of the farm machinery business was at best sketchy. Yet he made extraordinary progress within a matter of days, which is perhaps as much a tribute to the manufacturers' eagerness to combine as to his skillful negotiation. "This [deal] is moving along much faster than I expected," Perkins wrote Morgan on July 11. "The Deerings are here, the McCormicks are here, the Plano people are here, and we are right down to business, trying to work up a plan by which these concerns can be put together. Already they have agreed that we shall form the new company; that we shall name all the Officers and the Board of Directors . . . without anybody having the right to question any of these matters. This has been a rather delicate thing to bring about."[12]

The task was indeed "rather delicate." As the details began to take shape, Perkins went back to the McCormicks, explaining to them the sort of plan that was developing in his mind. Torn between their fear of the Deerings and their fear of Morgan's reputation for watering stock, they threatened to back down on their original commitment to go along with Morgan control.

Perhaps, Stanley McCormick suggested on July 14, Morgan should not run the new company because of "the farmers." Unfortunately, farmers were prejudiced against Wall Street and particularly against Morgan.

Perkins reminded him that the proposed combination would control the industry. "I think there is unnecessary alarm on the subject of the farmers," Perkins remarked. "They have got to buy reaping machinery."

The McCormicks objected also to Morgan's naming all the officers and directors. "If we are not competent to decide such questions," Perkins told them sternly, "we ought not to take part in this deal."

"We don't want to dictate the organization," said Harold McCormick, "but wouldn't it clear up the situation to have the organization announced before the papers are signed?"

"No siree," Perkins answered.

"Shouldn't the officers be acceptable?"

"You magnify the difficulties," Perkins said. "If we are going to be of any value we can settle this thing in the right way."

"We have no lack of confidence in you," Harold McCormick explained, "but we would like to see the steps that we take before we take them."

"M[organ] & Co[mpany] would not think of combating the united judgment of McC[ormick] and D[eering] but would expect to settle controversies between them," Perkins said. In any case, he reminded them, ultimate control would rest with the stockholders.

When Perkins left this meeting, the McCormicks held a hurried conference. Perkins's determination and frankness had had the necessary effect. Their confidence in him was restored, and they decided that Morgan should have "absolute control of the future organization of the Company." Although much negotiating remained to be done and countless conferences to be endured, the McCormick interest never again hesitated. Because the Deerings had been "ready to act" since July 11, the success of the negotiations was now almost certainly assured.[13]

By the end of July, all the essential arrangements had been made. The result was one of the most remarkable mergers of the early twentieth century. The new corporation consisted of all the properties* of the five constituent companies. In addition, the owners of the companies supplied $50,000,000 in cash as supplementary working capital. Morgan added $10,000,000 more. A total of $120,000,000 of 6 per cent preferred stock was issued in exchange for these assets. There was a great deal of debate about issuing common stock in addition. The McCormicks were dead set against it, but Perkins evidently believed that some common should be issued to holders of preferred on a pro-rata basis. The participants finally agreed (this was one of the most remarkable features of the whole transaction) that J. P. Morgan, after his return

* To avoid possible trouble with the antitrust laws the new corporation bought the properties rather than the stocks.

from Europe, should be empowered to decide whether or not common stock was to be issued, and if so, how much. Morgan and his House took on no onerous responsibilities and assumed no risks. There was no syndicate, nor any need to "make a market" in the new securities, since the company was owned almost entirely by the small group of men who were engaged in the negotiations. They, in addition, promised not to sell any significant share of their holdings in the first year and to hold most of their stock "permanently." Morgan was "obligated" to invest $10,000,000 in the new corporation, but this was scarcely an obligation; Cyrus McCormick immediately bid 105 for $5,000,000 of Morgan's stock,* and John D. Rockefeller asked for all of it at par. Perkins also reported a firm bid of 50 for the Morgan share of the still-hypothetical common stock. Yet, despite the absolutely safe and relatively small investment that Morgan was to make, his firm received an additional $3,000,000 in preferred stock for its services in bringing about the merger.

Still more incredible was the degree to which the powerful and strong-minded harvester people turned over control of the new corporation to Morgan. A three-man committee was established to appraise the plants of the new combination and the amount of stock each group received would depend upon these appraisals. The McCormicks were to select one member, the Deerings another, Morgan the third.† Furthermore, all the stock of the company was to be deposited in a voting trust consisting of a McCormick, a Deering, and a representative of J. P. Morgan. All the costs of organization, even the fee of Stetson, the Morgan lawyer, were to be borne by the new corporation. And finally—but let Perkins describe his triumph in his own words:

> I am sure that all the parties to the negotiation are very much pleased [he wrote Morgan] . . . . The new company is to be organized by us; its name chosen by us; the State in which it shall be incorporated is left to us; the Board of Directors, the Officers, and the whole outfit left to us. . . . In case any disputes or differences arise as to the method

* Morgan let him have $3,500,000 worth at this price.

† Actually, two independent appraisers were employed by this committee. Each sent men into the plants and submitted reports without consulting with the owners or looking into the books of the companies.[14]

of conducting the business of any one of the five companies, between now and the time when the new company shall commence business, such disputes or differences shall be settled by us.[15]

Naturally, Morgan and Bacon, whose approval Perkins sought before completing the deal, were quick to accept the terms he had worked out. "HEARTIEST CONGRATULATIONS ON ADMIRABLE WAY YOU HAVE CONDUCTED THE NEGOTIATIONS AND BROUGHT THEM TOGETHER," Bacon cabled. "I ENTIRELY APPROVE." Morgan was less effusive, but just as positive. "PLAN SEEMS SATISFACTORY AND SAFE. APPROVE SIGNING PRELIMINARY CONTRACT IF YOU ALL AGREE."

Morgan's cable was sent on July 28; that very evening the necessary papers were signed. All sorts of technical snags remained to be unraveled, ranging from the question of where to incorporate and the choice of a name for the young giant to the selection of the officers, the trustees, the members of the board of directors, and the chief executives for the various plants and branches. Perkins devised the name himself: the International Harvester Company. Since this name was very similar to that of another Morgan combination, the ill-fated International Mercantile Marine Company, he had to ask Morgan for "permission" to use it, stressing his belief that it was "very desirable to have [the] Company international so that it can comply with the laws of various countries and be at home everywhere." It was decided to incorporate in New Jersey and the voting trust was made up of Cyrus H. McCormick, Charles Deering, and Perkins.[16]

By the early part of September most of these preliminaries had been completed. New men had been installed in key posts and they had begun their work of surveying the situation preparatory to the actual centralization of control of the separate units. James Deering, for example, was put in charge of the three great Chicago plants of the new company. Preparations were made for a general clearing of accounts, for the submission of reports by subsidiary managers and sales agents, and for similar organizational work. There were also further negotiations concerning other farm machinery manufacturers. The Walter A. Wood Company, for example, begged to be admitted to the combination, whereas the corporation was eager to annex the Massey-Harris Company of

Chicago, whose owners were cool to the idea of merging unless a "very high price" were paid them. But no new companies were taken into the organization until 1903, when the D. M. Osborne Company of Auburn, New York, was purchased.[17]

The period of reorganization continued throughout 1903, the last basic decisions being made in August and September of that year. Perkins went to Chicago in mid-August to settle the apportionment of the 600,000 shares of preferred stock. This task was extremely difficult. The work of appraising the various properties had been completed, but the manufacturers were proud and aggressive men, loyal to their own organizations, and resentful for reasons other than mere dollars and cents of seeing the property of competitors rated more highly than their own. And even if one were uninvolved emotionally, how to compare and evaluate intangible like the morale of a labor force, the good will of a brand name, and so on? For days Perkins acted as mediator while the rivals squabbled over the figures. It was, Perkins said later, "a veritable hand to hand struggle all along the line." They could devise no formula to satisfy everyone and finally, with much trepidation, Perkins suggested that they all simply agree to let him set the values. "It was either adopt some such policy or give up the attempt," he recalled.

One can imagine the pause after this suggestion was made. Yet by this time the rivals had confidence in Perkins's fairness and good judgment. On August 15 four men signed their names to a sheet of ordinary notepaper. They were Cyrus H. McCormick, President of International Harvester, Charles Deering, Chairman of the Board, and Vice-Presidents J. J. Glessner, representing the owners of Champion, and William H. Jones of Plano. Above their signatures was a single sentence addressed to George W. Perkins. It read: "We place in your hands the final determination of our appraisal values, special good will, scaling, etc., etc." Perkins, having received this paper, wrote down the following figures:

McCormick	$37,700,000
Deering	$31,550,000
Champion	$ 4,824,422
Plano	$ 3,138,403

"No one was altogether satisfied," Perkins noted ruefully. "Perhaps," he then added, "it was better so than to have some one or two people satisfied and the others dissatisfied."[18]

Thus ended the formal reorganization of the harvester industry. In September, 1903, under strong pressure from Cyrus McCormick, Morgan agreed not to issue any common stock, and the International Harvester Corporation assumed its "final" shape.[19]

Perkins was always proud of his role in the creation of International Harvester, and he took special pride in the fact that the corporation issued no watered stock. He had indeed done a magnificent job, both in mastering the thousands of details connected with uniting five separate companies and in winning and maintaining the confidence of all the leaders in the industry. After the transaction had been completed, Cyrus Hall McCormick said that Perkins was "the most brilliant negotiator" he had ever known.[20] But the McCormicks, the Deerings, and the other owners of the corporation, as well as Perkins himself, were soon to learn that a formal merger, however spectacularly carried out, did not automatically abolish old rivalries. As a matter of fact, it took much strife and the better part of a decade to make the corporation a real unit.

At least until 1909, for example, the various elements in the corporation maintained their separate brand names. The International Harvester catalogues for this period show much unnecessary and expensive duplication. To cite a minor example, the company turned out three types of cream separators, the Lily, Bluebell, and Dairymaid brands. Each could be obtained in four identical sizes. The different brands, however, all displayed minor variations in shape and structure. The expense involved in producing so many different machines was a burden on the profit structure of the firm.

Far more serious was the rivalry between supposedly co-operating employees of the corporation, from the salesmen in the field to the highest levels of management. Officials tried to make a virtue of both the duplication and the rivalry. "The old spirit of competition . . . has been kept up as among the various factories in the organization," they told representatives of the Bureau of

Corporations in 1907. "It was found as soon as the organization was completed that selling agents went to sleep . . . believing that there was now only one large concern and that the goods would sell themselves." For the same reason, this argument ran, it was important to continue manufacturing several brands of the same machine. But this was a rationalization concocted to placate suspicious government lawyers. The real cause of the disharmony was that McCormicks and Deerings could not live together in peace even under the constant soothing influence provided by Perkins. As early as October, 1902, Cyrus Hall McCormick had composed a list of six examples of what he called the Deerings' efforts to force "Deering men" into choice posts in the hierarchy. McCormick also pestered Perkins about salary matters at this time. The *amount* of his salary was not important, he said, but it must be larger than that of Charles Deering, chairman of the board. A little later on, McCormick complained to Perkins of the "suppressed dissension and bad feeling" in the company, arguing that the Deerings were striving "for something beyond even equality" in the management of affairs.[21]

Little wonder that the corporation failed to justify the fond hopes of its creators! Production fell off instead of increasing, and profits, although continuous, seldom exceeded 4 per cent. As the years passed Perkins grew more and more restive. Finally, early in 1906, he summoned the principal officers of the corporation to New York. "You gentlemen ought to come down here prepared to do business," he wrote Cyrus Hall McCormick. "I mean, to discuss things with a view to promptly and decisively reaching conclusions, and not [to] have a general talk and then break away to think matters over." At the meeting Perkins demanded organizational changes, but the management men demurred, and nothing was done. Finally, in July, 1906, Perkins decided to force a showdown.[22]

This decision was precipitated by the attitude of the Deerings. Old William Deering, still a powerful influence in his own family and therefore in International Harvester, was becoming increasingly dissatisfied with the low profits of the company. He wanted to give a large sum of money to Northwestern University, but felt that it would be "ridiculous" to give the University any of his

International Harvester stock because of its low returns. Since the stock was tied up in the voting trust he could not dispose of his share for cash. The Deerings felt, by the summer of 1906, that one of two alternatives must be adopted. Either they must be allowed to run the corporation, or the business should be dissolved into its old elements.

Faced by this threat, Perkins once more summoned the McCormicks and the Deerings to New York. As in 1902, the McCormicks settled in one hotel and the Deerings in another. Perkins, assisted this time by Judge Gary, who was a Harvester director, found himself shuttling again from one group to the other. He was thoroughly fed up with the Deerings, whom he considered incompetent, and only somewhat less so with all the McCormicks except Cyrus Hall. He said that the corporation suffered from having too many "millionaire officers" who were unwilling to work or to take orders. President McCormick might stay on, Perkins suggested, "but below that position there [should] be nothing but employees." Clarence S. Funk, a talented young executive unconnected with either group, should be installed as General Manager. If this was done the corporation might make enough money to satisfy the Deering stockholders. "The great trouble," Perkins told a McCormick lawyer, "has been that there wasn't anyone for C. H. McC[ormick] to order around."[23]

The Deerings, however, could not be convinced that hope lay in this direction, and Cyrus McCormick balked at forcing out his brother Harold. Serious consideration was given to the idea of breaking up the combination. The Deerings were reportedly preparing to sue for the recovery of "their property," and for a time the McCormicks actually feared that the Deerings were plotting a physical seizure of their old Chicago factory.

A plan to convert some of the stock into bonds as a means of giving the Deerings a more negotiable security was also deliberated, but this idea could not command united support. At last, in October, 1906, Judge Gary came up with a workable compromise. The $120,000,000 of preferred stock in the corporation was split into two equal parts. Sixty million dollars became 7 per cent preferred stock; the rest became common. If annual dividends of 1 per cent were paid on the common, the total outlay would be

the same as had been paid out on the original preferred; the scheme, therefore, was perfectly sound from the point of view of the company interest. The preferred dividend would amount to $4,200,000 a year, but it was reasonable to assume that it could always be paid because profits had exceeded this figure during each year of the corporation's history. The Deerings would thus obtain (in the preferred) a security with a satisfactory yield. William, for example, could give such a stock to Northwestern without feeling "ridiculous."[24]

With the Deerings thus mollified, Perkins was able to force through the administrative reforms he considered essential. C. S. Funk became General Manager and "the younger element in the company" was advanced to positions of greater influence. Soon Funk was hard at work making studies of the operations of various plants, urged on by Perkins, who felt that the company, having "lost too much time," must clean house at once. Perkins also instituted new bookkeeping methods and appointed a new assistant comptroller. By 1908 the situation was very much improved and in June of that year the first annual report of International Harvester was published. Coincidental with this event was the listing of the corporation's stock on the Exchange for the first time. International Harvester had finally become what Perkins had always wished it to be, a "public" corporation.[25]

He was justifiably proud of his work. "I have decided to issue a report that will make a complete exhibit of the Company's affairs and condition, and follow this immediately by listing both classes of stock on the New York Stock Exchange," he wrote Morgan on June 10. "I have prepared this report with a great deal of care and have been over every statement, all the figures, and the general working of it so often that I am satisfied to have the Company stand on the showing. . . . I do not believe, when all is said, that the final verdict can be other than favorable." To Theodore Roosevelt, he stressed the political and social aspects of his report. "This is the first instance on record," he wrote, "that a corporation, on offering its securities to the public, has given to the public complete information as to its affairs." He was so confident of the company's future that when his friend Beveridge asked for advice on the investment of his wife's money, Perkins recommended

Harvester preferred without qualification.[26]

The combination of new management, institutional reform, and a broader base of ownership transformed the corporation from a financial disappointment to a great success. In January, 1908, large blocks of Harvester preferred changed hands in private transactions at about $93 a share. When public sales began in June, the common, which had never paid a dividend, sold near 40. In August, 1908, with the preferred selling at par, Perkins became confident enough in its future to transfer large sums he was managing for friends and relatives from U. S. Steel preferred to Harvester, making a nice profit in the process. Some months later, Perkins bought over half a million dollars' worth of the preferred at 107 for his own portfolio. By the end of 1909 the preferred reached 128 and the common, simply on the strength of rumors that it would soon begin to pay dividends, went over 115. In January, 1910, a 4 per cent common dividend, together with a $20,000,000 common stock bonus, was declared. Profits, which had never exceeded $7,000,000 or $8,000,000 annually before the reforms of 1906, had topped $14,000,000 in 1909.[27] The corporation still had dark days ahead, principally because of federal action under the Sherman Anti-Trust Act, but the modern giant of the farm machinery industry had been established on solid footings.

CHAPTER VIII

STUDIES IN POWER

IT IS difficult to appreciate how tremendously complex and varied were Perkins's activities during the years of his association with Morgan. The reader must keep in mind, for example, that during those hectic negotiations with the harvester manufacturers in the summer of 1902, Perkins was also active in the inner circle of the steel corporation and skirmishing with several groups of stockholders who were trying to defeat his bond conversion scheme in the courts. He was debating with steel company lawyers as to what sort of information they should place in their briefs and fighting to maintain the price of Steel preferred and Steel common on the Exchange against the attacks of "bears" who were trying to discredit the plan by depressing the value of Steel stocks.[1] Remember, too, that he was still the most influential executive in the New York Life Insurance Company, and involved in the work of the Palisades Park Commission. He was also, at that time, engaged in a battle of wits with John W. "Bet-you-a-million" Gates. The result of this struggle was certainly not defeat for Gates, who emerged from it richer by several millions of dollars. But Perkins managed to check Gates's ambitious plans and work out a program that satisfied the several conflicting interests involved.

This particular episode began in April, 1902, shortly after Morgan departed on the *Oceanic* for his annual trip to Europe, leaving Perkins and Charles Steele in charge of "the shop." Even before the *Oceanic* had deposited its distinguished passenger in England, Perkins and Steele were battling a nasty crisis on the stock market. Someone was buying huge quantities of the stock of the Louisville and Nashville Railroad, probably seeking to wrest control of the line from the current management, which was

headed by the banker August Belmont.

This development did not concern J. P. Morgan and Company directly, and Perkins mentioned it only casually in a routine cable to Morgan on April 7.[2] The next evening, however, August Belmont called at Steele's house in a state of great distress. His company, he said, was "in a very bad predicament." A solid and prosperous corporation dating back to pre-Civil War days, the Louisville and Nashville was a power in the eastern half of the Mississippi Valley. Its lines ranged from the Appalachian coal fields to St. Louis, and from Cincinnati to Montgomery, Alabama. Intent on expansion and development, the Belmont management had recently issued and sold fifty thousand shares of new stock. But this stock had not actually been delivered, and could not be delivered until it was properly listed on the Exchange, a technical process requiring about a month. Should the purchasers demand immediate possession the Belmont group would be caught short in a rising market, for in the face of the flurry of activity in L. & N. stock there was little or none to be had. The difficulty was purely technical, but nonetheless real and urgent.

Belmont did not see Steele until about nine o'clock in the evening, but Steele and Perkins set to work at once to locate the source of the interest in L. & N. stock. They quickly discovered that it centered in the new brokerage house of Harris, Gates and Company, which was dominated by John W. Gates. That information convinced them that a crisis of major proportions might be in the offing.

Gates was notorious on Wall Street as a reckless plunger. Possessed of great talent and daring, he lacked, as his biographer has said, "a mature sense of public responsibility."[3] He had made a fortune in the barbed-wire business but his reputation was so unsavory that Morgan, with his regal sense of propriety, refused to allow him any active role when his holdings were assimilated into U. S. Steel. If Gates had a claim to the fifty thousand shares that Belmont was "short," anything might happen. Steele and Perkins were reminded of the Northern Pacific panic of the previous year, when Northern Pacific stock had been bid up and up by desperate speculators while the rest of the market sagged. They decided to act at once.

Steele sent for Charles Schwab, who was a friend of Gates, explained the situation to him quickly, and dispatched him to the Waldorf, where Gates was staying. Schwab routed Gates out of bed and "labored" with him far into the night, finally persuading him "not to crowd his deliveries" the next day on the market. (It is quite possible that Gates was unaware of the corner he had achieved until Schwab informed him of it; in any case, he kept his word, informing the Exchange of his promise the next morning, Friday, April 9.) He continued to buy whatever L. & N. stock he could obtain, however, and as the news of his connection with the drive on L. & N. spread, rumors of the possibility of a corner increased apace. Perkins felt that Gates could not decide upon which of several sure-fire policies to pursue: should he take his profits by selling control of the road (which he had now obtained), by squeezing the shorts unmercifully, or by keeping the railroad and collecting his reward by declaring a lavish dividend? On Saturday afternoon Perkins had a long talk with him at the Waldorf, but could not fathom his plans.[4]

Perkins arrived at his Wall Street office early on Monday morning very much worried about the explosive situation. Steele was out of town, which left him to deal with the problem alone. Almost at once Gates telephoned asking for an opportunity to talk. The new master of the L. & N., it developed, had no new ideas as to what he should do with his property, but was willing to listen to suggestions. Did Perkins have any? "I told him," Perkins said later, "that I had not, except that I was very much concerned as to the general market situation and felt that we were facing a very nasty week; that it would be the easiest thing in the world to have a red hot panic by about Thursday if he were not extremely careful." Quietly Perkins reminded Gates of the Northern Pacific panic, in which Gates, along with many other speculators, had been rescued from a difficult situation by Morgan. Gates then made a bold suggestion: he offered to enter into a partnership with Morgan for the management of the L. & N. "That I survived this," Perkins told Steele afterward, "is proof positive that my heart is in a perfectly normal condition!" The idea that Morgan would consent to operate jointly with Gates would indeed be a shock to any Morgan man's constitution. Perkins pointed out that Morgan

always worked alone, that "it was the invariable rule of our house that we have to have a perfectly free hand in everything." Gates, being a practical man, turned then to the idea of selling Morgan the railroad.

He had received two offers for his new property already, he said. Some of his "associates"* were counseling a sale. "He was not sure but that he would sell the property if he could get 175 for it." Gates had purchased most of his stock at slightly over par; the highest price, so far, that it had commanded on the market was about 130. "I told him that *he* might possibly have some doubt as to what to do if he were offered 175, but that *I* had no doubt as to what he would do if he were really offered 175," Perkins wrote the next day. Gates then allowed that he might part with the property at 150. "I told him I did not believe he would, as I would not even refer such a suggestion to Mr. Morgan," Perkins went on.

Two expert bargainers were at work. Gates agreed to think about the question further and departed. The market, that day, was unsettled. L. & N. opened at 120, shot up to 133, then subsided to 128. Gates issued a reassuring statement: "There will be no corner so far as I or my party are concerned. I stand prepared to lend stock to those who urgently want it."

After the Exchange closed, Gates returned to Perkins's office. They were closeted together until about seven. The result was the following transaction: Gates agreed to turn over 306,000 shares of L. & N. to the House of Morgan. The firm would purchase one-third of this (102,000 shares) at 130 and hold the rest for six months while "some plan for handling the property" was being devised. Gates would then have the option of repossessing his 204,000 shares if he liked Morgan's "plan." If not, Morgan could purchase the rest of Gates's stock at 150 if he so desired. If he did not, Gates had the right to repossess Morgan's 102,000 shares at 130 plus interest.

Having extracted Gates's consent to these terms, Perkins hurriedly hunted up Samuel Spencer, President of the Southern Rail-

* Gates, of course, had not undertaken the purchase of so much L. & N. stock as an individual. In addition to the other members of his brokerage house, he had the support of Henry C. Frick and a number of other investors.[5]

road. Spencer had worked closely with Morgan in other railroad deals, and the Southern line was in direct competition with the Louisville and Nashville. After Perkins had explained the situation to him, Spencer "unhesitatingly approved" the deal. At once (it was by this time one o'clock in the morning), Perkins dispatched a long cable to Morgan outlining the problem in some detail and asking him to authorize the purchase of Gates's stock in order to quiet the market and keep the L. & N. out of Gates's hands.

At nine-thirty on Tuesday morning Morgan's reply reached Perkins.

> DISLIKE MORE THAN I CAN EXPRESS HAVING ANYTHING TO DO, EITHER DIRECTLY OR INDIRECTLY WITH GATES. AT THE SAME TIME AM INCLINED TO THINK YOUR SOLUTION IS A GOOD ONE; BUT IT MUST BE PUBLICLY AND AUTHORITATIVELY STATED THAT WE ARE ACTING AT REQUEST OF PARTIES CONCERNED AND FOR GOOD OF GENERAL SITUATION.

Morgan also told Perkins to consult Belmont, Alexander J. Cassatt of the Pennsylvania Railroad, and other interested persons.

By ten o'clock Perkins had Gates, Belmont, Spencer, and a number of lawyers in his office. E. T. Stotesbury, from Morgan, Drexel in Philadelphia, was also on hand in response to an urgent call. The lawyers were immediately put to work drawing up the necessary papers, and Perkins turned his attention to quieting the market, which was reacting wildly to all sorts of rumors. At the opening, responding to a tale of a prospective merger with the L. & N., the stock of the Southern Railroad leaped upward. Under pressure from Perkins, Gates agreed to issue another statement denying any intent to corner L. & N., and announcing that J. P. Morgan and Company were going to "act as arbiters in the situation." Perkins himself wrote this statement and persuaded Gates to sign and issue it even before the full details of the agreement had been decided upon. Gates dickered with Perkins for an hour and a half before agreeing to do this, and (although Gates denied it) Perkins believed that he used this interval to "buy a whole wad" of Southern Railroad stock. Perkins also persuaded Belmont to issue a reassuring statement (also written by Perkins) promising

that there would be no fight for control of the L. & N., in return for which Perkins assured Belmont that Morgan and Company would make no changes in the road's management. Finally, Perkins and Francis L. Stetson drafted a statement of the House of Morgan's policy for public release when the deal was announced.

Perkins was in and out of conferences all day, with reporters avidly describing his visitors and his own peregrinations through the financial district. By evening all the details had been settled and the papers were signed. Perkins then issued the statement formally announcing his firm's action in taking over the Louisville and Nashville. It did so, Perkins said, "solely to relieve the general financial condition and not for the benefit of any railroad company." The Southern, he added, had no intention of purchasing L. & N. stock*[6]

The announcements of Gates, Belmont, and Perkins, all the work of Perkins, effectively overcame the danger of a corner in L. & N. and of a stock market crisis. By April 16, peace had been restored and the protagonists properly mollified. Belmont, assured that the *management* of the road would remain unchanged, was satisfied to be safely out of a tight situation; Gates, guaranteed at the very least a fat profit on his dealings, was positively jovial. When a *New York Times* reporter asked him if he had not driven a rather hard bargain, he replied: "Not on your life. Hard bargain! Why no. J. P. M.'s the salt of the earth, and an old and good friend of mine. Hard bargain? Indeed not."[7] Only Perkins, who in fact had been the one disinterested person involved in the transaction, was less than satisfied with the solution.

For one thing, he was worried about the ebullient Gates. "Gates . . . kept running in and out of the shop to-day, telling me about other plans he has and saying that he was going to keep in the closest possible touch with me," Perkins wrote Morgan on April 16. "Somebody had better keep in touch with him or he will get into more serious mischief. One of the most unsatisfactory things about this L. & N. affair is that he has had a taste of blood and will want to try it again somewhere else right away."

But Gates was a relatively minor annoyance; the firm had now

* During the day Southern Railroad stock had risen from 34 to 40, then slipped back to 38; more than 900,000 shares of the stock changed hands.

acquired a valuable property and must decide what to do with it. To affiliate it with some other system seemed the natural answer, and the two roads with which it could logically be merged were the Southern Railroad, already controlled by Morgan, and the Atlantic Coast Line.

For legal reasons, union with the Southern was out of the question. The two lines were directly competitive; to join them would, in the light of President Roosevelt's antitrust policy, lead almost certainly to a suit. Efforts therefore centered on the Atlantic Coast Line. By May, Perkins was engaged in negotiations with President Henry Walters of that road. These talks were tremendously complicated, and in the end involved practically all the railroads of the Southeastern part of the country. First the L. & N. and the Southern jointly purchased the Monon line, which connected Louisville with Chicago, and the Atlantic Coast Line swallowed up the Plant system. There was talk for a time of a holding company that would encompass both the L. & N. and the Atlantic. In the end, however, the Atlantic Coast Line purchased the Gates-Morgan stock in the Louisville and Nashville for $50,000,000 worth of its own securities.[8]

Financially, this provided the entire transaction with a happy ending. Gates refused to participate in the deal and received cash for his 204,000 shares; Morgan accepted payment in Atlantic Coast Line bonds for his 102,000 shares. After paying a total of $43,860,000 to Gates, Morgan and his syndicate cleared a profit of $6,140,000 on the business, no mean reward for their "disinterested" service in "rescuing" the L. & N. from the clutches of Gates and preventing a stock market panic.

The incident provides a good illustration of the tremendously hectic life led by Perkins in these years and of his ability to manage several large matters at the same time. Some of the most important negotiations with Henry Walters of the Atlantic were carried on during the first two weeks of July, at the very time that Perkins was also conducting his grueling discussions with the harvester people!* The affair also throws a revealing light on the character of the

* On July 30 Perkins wrote T. A. Buckner of the New York Life, who was in Europe, "I haven't been about . . . much of late because I have been absolutely alone downtown, but I have been in pretty close touch with what is going on."[9]

House of Morgan, for it was Morgan's dislike of Gates and his "type" of financier that was chiefly responsible for the house's willingness to engage in the business. That the end result was very profitable for the house was, as Perkins later said, of secondary importance.[10] It is clear from their correspondence at the time that neither Perkins nor Morgan considered for a moment the possibility of personal gain. They guaranteed the detested Gates a huge profit and took a large risk simply to "protect" the market and "save" a valuable property from a man they considered unfit to manage it. True enough, if Gates had precipitated a serious panic on Wall Street the House of Morgan might have suffered; to this extent only, self-interest played a part in the house's actions.

Shortly after the L. & N. affair, according to legend, Morgan lent a large sum of money to Gates and then deliberately forced down the market value of Gates's collateral. When Gates had been forced to the wall, Morgan dictated his terms: Gates must leave New York forever. This story had never been verified. Probably it is untrue. But Gates suddenly appeared in Port Arthur, Texas, where he became a large frog in a relatively small puddle—of oil. Never again did he engage in business on the New York Stock Exchange.[11]

Perkins was also involved in other important matters at this time. The calamitous coal strike occupied him on and off from April to November. Marcus Alonzo Hanna, Senator from Ohio, whom he had first met during his Cleveland days, became important in his life in this connection. Perkins was on the board of directors of Hanna's National Civic Federation,* and was thus associated with that organization's efforts to prevent and then to mediate the strike. Even more important, Hanna was both a steel manufacturer and a politician seeking office. The fact that Morgan had great interests and greater influence in the coal companies whose mines were being struck, also led to close relations between Perkins and Hanna.

* The Federation, a middle-of-the-road organization, tried to develop peaceful collaboration between capital and labor. It stressed the advantages of collective bargaining to employers, and of responsibility and moderation to unions. Samuel Gompers of the A. F. of L. was a Vice-President. The organization flourished in the period before World War I.[12]

Hanna's righteous anger at the stubbornness of the mine owners is well known. In April he told Perkins that "if *something* is not done by the operators to meet the situation—there will be a strike." The next month he warned Perkins that public opinion was demanding that the owners agree to arbitrate the workers demands. If they did not, he predicted, "we will have conditions in this country much worse than dealing with organized labor." In June, Hanna was pleading with Morgan to intervene, and suggesting that the firm support a plan for naming Hanna referee in the dispute.

What is less well known was the abject way in which Hanna the politician pleaded for help from Morgan in his battle for re-election to the Senate from Ohio. "There is danger in the Hocking Valley owing to stopping of the mines," he wrote Perkins on October 5. "There are 2 or 3 members [of the Ohio legislature] involved there (now Rep[ublican]). If they started up in a week or ten days and [it was] given out I had done it, that would fix that. There are several important places where the U S Steel could do me lots of *good.*" And in another undated note: "I have no walkover and must have every assistance my friends can give me. The U S Steel has work in several close counties and I would like to have someone whose influence will be potent . . . take an active interest. If you will arrange who it should be, I will give them the points. . . . Our state Com. would like some financial help which perhaps should be sent through me. I am bleeding at every pore already and can't bear the burden."[13]

As Morgan's representative, Perkins tried to persuade the mine operators to compromise with John Mitchell's United Mine Workers. At one point he arranged a conference between Mitchell and the leading owners. When this meeting failed to achieve anything, Perkins suggested as a compromise that the miners agree to sign a three-year contract, but Mitchell was unwilling to tie his hands for so long. Late in May, Perkins went to Cleveland to confer with Hanna. Shortly thereafter he met with Mitchell in New York and tried to arrange another parley between him and George F. Baer, who was the chief spokesman for the operators. (To a priest who sought to mediate the dispute, the stubborn Baer said: "Cripple industry, stagnate business or tie up the commerce of the world . . . [W]e will not surrender.")[14]

Perkins was not as worried about the strike as Hanna was. Even in late July he was interested chiefly in seeing it settled before Morgan returned to America. He urged the miners to go back to work at once and agree to let Morgan settle the questions in dispute. It is a tribute to the almost universal faith in Morgan's fairness that this scheme was seriously considered. In the end, however, the idea was dropped, largely because Morgan did not feel strong enough to guarantee that the operators would accept his decision. There were some things, Perkins told Ralph Easley of the National Civic Federation, that even Morgan could not do!

After Morgan returned from Europe, Perkins's role in the coal crisis became less important. Urged on by President Roosevelt, Morgan finally convinced the operators that they must accept arbitration, but they insisted on limiting the choice of arbiters by narrowly defining their backgrounds. No labor representative was to be selected. Naturally Mitchell objected to these limitations. He wanted a prominent Catholic priest and a union man to be included. The operators simply would not consider a labor leader.[15]

The situation by this time was desperate. Coal reserves were disappearing while winter loomed ahead. On October 15, Roosevelt asked Morgan to send a representative to Washington to try to settle the question. Morgan sent Perkins and Robert Bacon. That evening they were closeted with Roosevelt for two hours. It was at once a comic and a tragic scene. The Morgan men were "nearly wild" with frustration. They begged Roosevelt to make the miners yield; if there were not a settlement soon, the result might well be anarchy. Morgan could not persuade the operators to accept the Mitchell proposal, which Perkins and Bacon frankly confessed was a reasonable one. All at once Bacon suggested quite casually that he did not think the operators cared *who* the arbiters actually were so long as they were chosen under the headings that had been established by the operators. In a flash Roosevelt saw the solution to the problem: he would appoint a labor man but name him as an "eminent sociologist," one of the operators' categories. Bacon and Perkins greeted this "utter absurdity" with delight. They were sure the mine owners would agree, and more, that the addition of a priest (most of the miners were Catholics) would also be acceptable. They telephoned Morgan and Baer, both of whom consented to the arrangement, and at two o'clock in the morning

Roosevelt announced the names of his commission. E. E. Clark, Grand Chief of the Order of Railway Conductors, was the group's "eminent sociologist." Thus the crisis ended; on October 23 the miners were back at the pits.[16]

Working for J. P. Morgan gave Perkins tremendous prestige and even greater power in the world of business and finance. His power was an agent's power, his prestige more that of a viceroy than of a sovereign, but they were nonetheless real. This influence can be observed in all the large events in which he participated, and also in countless smaller matters that came within his ken. Isolated documents in his papers provide fascinating glimpses of what it meant to be J. P. Morgan's "right hand man" in the first decade of the century.

Cleveland H. Dodge, merchant, to George W. Perkins, January 6, 1902: You are the biggest all around trump I ever knew and I cannot thank you enough for your awfully generous and timely help in extricating me from the doubtful and rather embarrassing position I was in with Mr. Morgan. . . .

Thomas A. Buckner, Fourth Vice-President, New York Life Insurance Company, to George W. Perkins, January 3, 1902: I fear you are putting me into profits that belong to you. I dont see how you could let me into more participation of S[teel] Syndicate than I put up for, and after the "doors were closed". . . .

George W. Perkins to John A. McCall, President, New York Life Insurance Company, January 24, 1905: I have sold your fifty shares of Bankers Trust Co. stock @ 435$ a share. Total—$21,750. I paid $150 a share for it, or $7,500, a profit of $14,250, which is better than a loss of that amount would have been!

Thomas A. Buckner to George W. Perkins, January 7, 1903: I want to take this method of thanking you most sincerely for the magnificent profit you have made for me. . . . I know what wonders you can do . . . but 300% plus is so much as to make me think you have possibly made a mistake in my case as to my account.

Paul M. Warburg, Kuhn, Loeb and Company, to George W. Perkins, February 13, 1908: I take the liberty of sending you a second copy [of

my speech] which I do not dare to send to Mr. Morgan myself, as I know how busy a man he is, and I am afraid he might consider it an imposition to ask him to read it. All the same . . . he might possibly be interested in glancing at this effort of mine, and I would certainly consider it an honor if he would.

Senator M. A. Hanna of Ohio to George W. Perkins, n.d.: Can I get some of the new "Holding" Co stock as an investment? I asked Jim Hill to give me some and he said he would but I want more than he would spare from his. I am so on the outside that I don't get a chance at such things while I am "serving the Country." I wish you would look "a little out" for me.

George W. Perkins to Henry C. Frick, United States Steel Corporation, February 14, 1902: We have a tiny little Syndicate for the purchase of some coal lands for the Hocking Valley Railway. I have put you down for $50,000 participation. You won't be called upon to take any of the bonds or put up any money because as a matter of fact, we have already placed the bonds; but the compensation of the Syndicate will be fairly good and I thought you would like some of it.

George W. Perkins to W. C. Brown, New York Central Railroad, June 23, 1903: Will you please thank the proper person up in your shop for stopping the Southbound express at Garrison for me yesterday afternoon? I had the German Finance Minister and a dozen business men up on the yacht to see West Point. The weather became so threatening that I saw it would not be pleasant for them to come back on the River, and asked your people to stop the express so that all these gentlemen could come back to town in the most comfortable manner.

These images are reflections of the power of Morgan, but also of the increasing importance of Perkins within the great banker's organization. The House of Morgan is extremely reticent about its past and will not divulge either the amounts or the relative shares of profits that various partners received, even when these were earned half a century ago. There are no direct refences to these matters in the Perkins papers either. But in some years at least, Perkins must have received over a million dollars from the firm. At the time of his retirement, his share of the as yet undistributed profits for the single year, 1904, was over $900,000, and for each of several other years, well over $600,000.[17]

Yet compared to his work in insurance, little that Perkins did

while with Morgan was really creative. He helped to build vast empires and he moved pawns about busily, but the tools he used and the strategies he employed had been developed before his day by other men. He reorganized an occasional industry, but on predetermined lines. Neither the holding company, nor the voting trust, nor any of the other devices that he made use of was new. Even his profit-sharing ideas were simply an extension of his own earlier inspirations.

In this sense his work was less important than it had been even though more complicated and concerned with larger aggregations of wealth and power. It also failed to give Perkins the sense of participation in a great co-operative enterprise that he had enjoyed with the New York Life. In time he would find a way of reconciling the management of corporations and his ingrained missionary spirit, but to do so took more imagination than he could summon up in a few years of effort. In the meantime, his busy life left little time for introspection, and he was not unhappy, but less buoyant and vital than he had been when the New York Life was the whole of his working existence. He found no new Buckners, Kingsleys, and McCalls at Morgan's. He had great respect for the mighty J. P., but Morgan was too old, too remote, and too magnificent to be a real friend. No matter how brilliant his work, he never received a message from Morgan like this typical note, scrawled hastily on a sheet of cheap paper in heavy blue pencil by John A. McCall: "My dear GW—Your pen has not lost its cunning nor your thoughts their coherence. . . . You never wrote a better letter of advice than the enclosed to TAB. It is simply great."[18] And he was not intimate with the other partners in the Morgan firm.

Furthermore, Morgan never gave him the freedom of decision he had at 346 Broadway. Although Morgan allowed his partners a wide latitude in formulating plans, the final decision was his alone in every instance. In practice, he accepted nearly all the proposals that Perkins laid before him, but occasionally, as in the case of Perkins's original approach to the harvester negotiations, he rejected them offhand and set up his own scheme. One *never* challenged his authority.

In time this fact was to have a corrosive effect on Perkins's sense of satisfaction with his job. A man who made bold decisions with amazing rapidity, a man who did not always give as much con-

sideration to the feelings of others as tact would seem to require, Perkins was not entirely suited to the role he had to play in the Morgan firm. For a long time the aura of power and infallibility that surrounded Morgan served to keep Perkins in check; eventually, it ceased to enchant him.

A little of the fun of life seems gradually to have slipped away during the Morgan years. Perhaps it was the frantic pace he set, or perhaps he was merely growing older and more cynical. But whatever the reason for the change, his correspondence shows it when viewed as a whole, even if individual letters do not yield the message in clear form. His Morgan letters are colder, less humorous, more impersonal, more materialistic. Seldom harsh, they still seem, when compared to those of earlier days, hard, dominating though not domineering, and impatient.

One must not go too far. Perkins never lost his boyish enthusiasm for any new adventure, nor his insurance salesman's charm and sparkle. His friend Charles G. Dawes, catching him in Chicago in the summer of 1902 during the harvester negotiations, was struck again by his incredible energy, and also by his "untiring and unfailing patience." In his diary, the future Vice-President of the United States wrote: "I am glad to note in Perkins as he ascends [the] dizzy heights in the business world, that he uses the same natural, hearty and unaffected methods in scaling the cliffs that he did before he reached the timberline." Andrew Carnegie reported that he derived special pleasure from his visits to the offices of J. P. Morgan because of Perkins, whose unspoiled nature "actually sweetened sordid business dealings."

When Perkins had joined Morgan in 1901, President McKinley, informed of the event, expressed some concern lest the position "squeeze the humanities out of him." McKinley's fears had not been entirely groundless. To catch the spirit of the change in a capsule, consider this cable which Perkins sent Morgan in 1906: "CZAR HAS DISSOLVED DOUMA. RUSSELL SAGE IS DEAD. MARKET STRONG AND ACTIVE. ALL WELL."[19]

Yet, perhaps this distorts the truth, for by 1906 another factor had entered the picture. When Perkins wrote that telegram he was under indictment for both larceny and forgery, and a large part of his career had collapsed about him in ruins.

CHAPTER IX

TANGLING WITH REDBEARD

IRONICALLY enough, Perkins's troubles with the law resulted from his insurance connections, the branch of his activities of which he was justifiably most proud. They descended upon him seemingly out of nowhere, and with terrible swiftness, bewildering rather than angering or shaming him. They began in the fall of 1905, but resulted from events that had taken place earlier, being rooted in the way the big insurance companies had come to conduct their affairs. They affected Perkins deeply, but grew out of a general investigation of the industry that was precipitated by causes for which he was not responsible.

In 1899, Henry B. Hyde had died. The founder of the Equitable Life left a majority of its stock (502 of the 1,000 shares outstanding) in trust for his son, James Hazen Hyde. At the age of thirty young Hyde, who was twenty-three in 1899, was to come into full possession of the property. The Equitable stock was not very valuable for its dividends. These were limited to 7 per cent, producing only $7,000 a year, of which $3,514 went to Hyde, a pittance to a man of his great wealth. But their ownership meant control over all the resources of the Equitable, and this made Hyde a power in the financial world. He drew down about $125,000 a year in salaries from the Equitable and related companies, and was a director of forty-eight corporations. The young man, however, had little time to spare for the insurance business. His interests were primarily social and intellectual. He admired France and all things French; he dressed with a great flair and loved the grand gesture. Frequently he wore patent leather pumps with red heels, and he was wont to arrive at his office behind a sleek, high-stepping team with bunches of violets pinned to the bridles and a

matching boutonniere in his own lapel. Reputedly he once said: "I have wealth, beauty, and intellect: what more could I wish!"

Hyde's effete tastes were incomprehensible to most businessmen and his lavish displays of wealth made him a public liability to the Equitable. A huge ball, reputed to have cost $100,000, which he gave in New York early in 1905, led a faction within his own company to try to oust him before he reached thirty and gained undisputed control.

This effort, led by James W. Alexander, President of Equitable, was doomed to failure since Hyde's position as owner of a majority of the stock was impregnable. But the publicity resulting from the effort unleashed forces that did accomplish Hyde's downfall. In tumbling, however, Hyde brought down with him the rest of the Equitable management and a large proportion of the management of the other leading companies.

Charges and countercharges filled the air; a committee of Equitable policyholders was formed to work for mutualization of the company and the ousting of both the Hyde and Alexander factions; a number of restrictive bills were introduced in the New York legislature; the New York Superintendent of Insurance launched an investigation; other states threatened action. In an effort to end the agitation a committee of the Equitable board of directors, headed by Henry C. Frick, recommended (in June, 1905) that both Hyde and Alexander resign, but its suggestions were ignored by the Equitable high command. Trying to stop the unfavorable publicity, Hyde finally agreed to get rid of his stock. After reputedly turning down offers of as much as $7,000,000 for it, he sold it to the streetcar magnate Thomas Fortune Ryan for $2,500,000.

Ryan handed control of the stock over to three ultrarespectable trustees, headed by ex-President Grover Cleveland, but it was now too late to stop the forces of reform. The report of the Superintendent of Insurance amounted to a wholesale attack on the practices of the Equitable management. The press was up in arms, led by Joseph Pulitzer's New York *World*. The feeling was widespread that all the big companies were wasteful to the point of criminality in their handling of funds, that they were too closely associated with speculative transactions to be safe, that they were

mixed up in politics. Why would *anyone* pay $2,500,000 for securities with a maximum annual yield of $3,514? Surely, the average citizen reasoned, control of a life insurance company must yield other profits that were either illegal or at least antisocial. Various commentators hastened to describe these: Huge salaries paid to officers and their relatives for purely nominal services. Connections between the insurance companies and trust companies that enabled insiders to milk one company for the advantage of the other. Power, prestige, political influence.

James Hazen Hyde's extravagances were only the most flagrant among those of many insurance officials. Demands for an industry-wide investigation multiplied after the Commissioner's report, with its specific charges against the Equitable. In July the New York legislature responded by appointing a committee headed by Senator William W. Armstrong to look into the affairs of all the New York companies. On September 6 this committee held its first session in the New York City Hall.

George Perkins and the high command of the New York Life viewed the furor over the Equitable and the developing demand for a general investigation with something approaching complacency. They had been investigated many times before, always surviving the ordeal. Had not even the rigorous standards of the German inspectors been met? In August, 1900, the state of Nebraska had sent a two-man team to check up on the New York Life. After these men completed their investigation, Perkins told McCall later, "they expressed themselves in the warmest possible manner about our general system of bookkeeping, saying they had never been in any insurance office or banking institution that could compare with us." Once when an official from a rival company asked Perkins why the New York Life submitted so willingly to regulation and inspection, Perkins replied that it was simply cheaper to do so than to try to avoid investigation.[1]

The New York Life officials were sympathetic to the Alexander faction in the Equitable row. Kingsley, for example, spoke disparagingly of "the Frenchman" (Hyde spent a great deal of his time abroad) and Buckner agreed that Hyde should step down from his position. Perkins favored the Alexander group because of his friendship with Gage Tarbell, an Equitable Vice-President,

whom many considered the real power behind the anti-Hyde forces.* But their concern was never great. When the clamor led to the introduction of several restrictive measures in the legislature, they seemed more interested in keeping the new measures within bounds than in defeating them outright. Only the newspaper attacks were really irritating. "The World and the Evening Post have been especially nasty," McCall complained, adding cynically: "It makes me feel that our patronage is wasted."[2]

Perkins believed that the public's criticism of the big companies was understandable, however misguided. "The mere fact that a company has $400,000,000 of assets or $80,000,000 of surplus at once causes a certain percentage of people to think that the policy holders of that company are paying . . . more than they should," he said in an anonymous newspaper interview. "It is impossible," he added, "to carry on the sort of life insurance the American people want without piling up money in the form of surplus." But these companies should be carefully regulated. He urged that "some properly constituted federal commission" investigate the industry and establish a national insurance code. The idea of further state regulation did not frighten him. Late in June he announced complacently that "the lesson of the Equitable demoralization" had been "swiftly learned," and he predicted that new legislation was in the offing "which will place the life insurance corporations upon the standard of the savings banks." Most of the companies would welcome such legislation, he said.[3]

The New York Life officials therefore approached the Armstrong Committee hearings relatively unperturbed. Alone among the leaders of the large companies they did not even bother to bring their lawyers along. The general atmosphere of the hearings reinforced their complacency. The chief committee lawyer was a youthful, red-bearded advocate named Charles Evans Hughes, who had made a name locally in an earlier investigation of the New York "Gas Ring." His courtesy, mildness, and patent desire to be fair to everyone disguised for a time his grasp of complicated

* Tarbell, like Perkins, was a man of tremendous energy, imagination, and faith in himself. But he was never given the kind of authority that Perkins exercised. "You must be patient and not consider that you have reached the highest round of the ladder until others than yourself think so," Henry B. Hyde once told him.

insurance technicalities and his uncanny knack of seizing in an instant upon the slightest inconsistency or evasion in the testimony of a witness.

The earliest hearings dealt mainly with the ways in which the managements of mutual companies maintained absolute control of their organizations, effectively by-passing the policyholders they supposedly represented. But since lack of interest on the part of the policyholder was clearly the chief reason for the existence of this evil, and since there was nothing illegal about the methods used to collect proxies, no experienced insurance man was disturbed by the revelations, however much papers like the *World* might rant about autocratic control. There were a few minor sensations, but nothing very shocking had been brought to light when, on September 15, Hughes called George Perkins to the stand.

Perkins arrived at City Hall at about ten o'clock, along with a number of other New York Life officials, including McCall, Kingsley, Treasurer E. D. Randolph, who had already testified, and Edward R. Perkins, who was by then a Vice-President. He was in a buoyant mood. "Is the New York Life going to open offices in City Hall?" a reporter asked him. "No," he grinned, "we are simply here to obey the subpoenas served upon us." "Have you no counsel?" "No," he said. "We haven't brought any counsel, for we don't think we shall need any." Then Hughes called him to the stand.

At once Perkins dominated the scene. Energy, physical and nervous, simply radiated from him. He refused to sit down throughout his many hours on the stand. "The man is never still," wrote a reporter in the New York *Journal*. "If he stands squarely on his feet he is tapping one shoe sole upon the floor. His fingers beat endless long rolls on his thumbs. He leans over the back of a chair, a knee in the seat, and waggles a foot. He shrugs one shoulder, then the other. He swings his body from side to side. He winks with his eyes and he makes his mustache go up and down. Now it is jammed tightly against his nose. Plop! Down it drops back home again."[4]

But his mannerisms were the least controversial part of Perkins's presentation. He began by turning Hughes's routine opening questions into an account of his career that was, according to one's

point of view, either engagingly frank or blatantly egotistical. First he asked Hughes to read into the record what instantly became known as "Father's Letter," the note he had received from his father in 1879 when he was first officially employed by the New York Life, enjoining him to work hard if he wished to succeed. "I wanted to leave school and go to work," he explained after the letter had been read, "and so this letter . . . made a deep impression on my mind, and I have tried to faithfully live up, and believe I have, to every injunction in it save the handwriting." He went on to describe his rise in the insurance business, never hesitating when it came to pointing out the purity of his motives or the importance of his contributions. His tone is fully revealed in this sentence from his testimony: "I believe I have been the most influential one factor in the New York Life in bringing the hundreds of thousands of people into the company who are now there, and I have felt that my responsibility was very great, to look after their interest, after they got it."

Perkins was utterly sincere in what he said, and he scarcely exaggerated his importance, but of course his remarks were fair game to unfriendly newspaper critics. Divorced from the Perkins charm and reduced to cold print they could be used to make him appear vain, arrogant, and simply foolish. The next day the *Journal* printed a poem, "Perkins; That's All," by James J. Montague, which contained such lines as these:

> . . . There cannot be a doubt about the King Financial Bee,
> Ask George Perkins who it is. Of course he'll say, "It's me!"
> . . . And read his papa's letter if you really want to know
> How from the smallest office boys the biggest magnates grow.
> For what are all the billions in this life insurance strife
> Beside the interesting facts of Perkins's private life?
> Instead of giving evidence, "Just hark to this," said he:
> "The thing you want to know about is 'Just Myself' by Me!"

A little later on Finley Peter Dunne poked fun at Perkins through the pen of the incomparable "Mr. Dooley."

> Listen to th' tistimony iv Gabby George, wan iv th' gr-reatest iv thim fine men that we entrust our savins too. "Misther Hughes—'George, tell us why 'tis nicissry to commit perjury in th' life insurance business.' "

"Gabby George—'Thank ye f'r th' question. It's a pint I wud like to bring out. . . . In reply I wud say I love me father. Gintlemen, have anny iv ye a father? Then ye know what it is to have a father's love. . . . I have in me hand a letter frim th' ol' guy written in th' year eighteen sivinty-five. Gintlemen, I have carried this sacred epistle nex' to me heart f'r thirty years excipt whin I lent it out to wan iv th' boys who wanted to land a tough customer. . . . I read it to Pierpont Morgan, an' he was so overcome he give me a job. I rayfused it onless he wud let me keep th' old wan too. He apprecyated me sintimints. He said he was a father himsilf. . . .[5]

Some of the newspapermen defended and even applauded his manner. "Mr. Perkins," wrote E. J. Edwards, a financial reporter

New York News, September 20, 1905

known as "Holland," "is so intensely occupied and his mind is so completely absorbed in his vocation that he speaks out loud, almost exactly as though he were speaking . . . to himself. He has great pride, but of an honorable kind, in his achievements, but he so thoroughly associates himself with his work that it is inevitable that he should say 'I' many times when talking. . . ." Many of his friends also professed to be pleased. Albert J. Beveridge, for example, pointed out that, good or bad, the publicity was attracting attention to Perkins; now his ideas would get a full public hearing. (Beveridge simply deluged Perkins with letters and telegrams during the Armstrong hearings, and their exchanges give a good picture of their relationship. Beveridge: "HOLLAND HAS IN TODAYS ENQUIRER ADMIRABLE ACCOUNT OF YOU VERY COMPLIMENTARY." Perkins: "WELL, WHY NOT?" Beveridge: "BE BOLD AND YOU WILL BE HAPPY DONT FAIL TO GET AS MUCH HUMAN INTEREST IN YOUR NARRATIVE AS POSSIBLE WE ARE ALL LISTENING WITH EAGER EARS OUTSTRETCHED FOR FIDOS BARK BUT FOR GODS SAKE DONT LET HIM WHIMPER." Perkins: "PLEASE PAT FIDO. HE HAS BARKED LONG AND HARD ALL DAY AND NEVER WHIMPERED ONCE.")[6]

Perkins certainly did not whimper during his testimony. He was so confident that he spoke out frankly and boldly in response to most of Hughes's questions. He quibbled frequently with Hughes's interpretations of his statements, but he seldom held back information or apologized for what he had done. All in all, he spent a good part of four days, spread over a six-week period, on the stand.

Since Hughes never attempted to develop any one line of investigation completely in a single session there would be no advantage to discussing Perkins's testimony chronologically, nor even to separating it completely from the evidence offered by other witnesses. He was queried about the whole range of the New York Life's activities, but the most important questions centered around a relatively small group of issues that can best be considered individually. Hughes first asked Perkins about his dual relationship with the House of Morgan and the New York Life. All the big insurance companies had close contacts in the banking world. Jacob Schiff of Kuhn, Loeb and Company, for example,

was a director of the Equitable, and George F. Baker of the First National Bank was on the board of the Mutual Life.[7] Both Perkins and President McCall were directors of the National City Bank.

One of the chief criticisms leveled at the insurance business in 1905 involved this kind of relationship. B. J. Hendrick, a most effective critic, charged that insurance companies were directing more of their funds into complicated bond and stock flotations than into sound, and often more profitable, real estate mortgages, purely to satisfy the egos and line the pockets of insurance executives. "If they invest in realty loans, . . . they do not associate with great bankers, railroad owners, captains of industry. They will not obtain appointments to the boards of great corporations; have their names put down for syndicate participations . . . nor obtain tips on the stock market. . . ."*

Since Perkins played such an active role in both the New York Life and the Morgan firm the critics directed many of their attacks at him. For example, before he testified, the Chicago *Tribune* published a cartoon showing him milking a New York Life cow for Morgan while policyholders poured money into the cow's mouth, and after his first day on the stand the *World* portrayed him as "Oliver" Perkins with "Bill Sykes" Morgan boosting him through a window of the insurance company.[9] Quite naturally, Hughes questioned him closely about his two jobs. Had he, Hughes asked, profited personally in transactions between Morgan and the New York Life?

Perkins was ready for this question and he had a simple answer to it: he had not. In such cases he was working only for the insurance company. Since he had joined Morgan the firm had sold

* This argument had obvious weaknesses, of course. To have withheld entirely the huge sums controlled by the insurance companies from the financing of industrial expansion would have been harmful to the economy. But the charges made by men like Hendrick were not without merit. In November, 1902, for example, James Stillman permitted John A. McCall to purchase 250 shares of National City Bank stock, worth $300 a share, at 200. It was this kind of "inside" connection that Hendrick claimed was responsible for the switch in emphasis in life insurance investment policies. This particular illustration is especially interesting because McCall did not have the necessary $50,000 at hand and arranged, through Perkins, to have the House of Morgan lend him the money "until later," thus compounding the tangled relationships between bankers and the custodians of huge life insurance funds.[8]

nearly \$39,000,000 in securities to the New York Life; on these sales, Perkins's profit had been \$10,490.67, all of which he had signed over to the New York Life. This not only proved that he

Bill Sykes and His Oliver with apologies to the lamented Cruikshank.
New York Evening World, September 16, 1905

had made no profit, he was careful to add, but also that he had obtained the securities at very little more than they had cost Morgan.

But if Perkins's personal honesty could not be challenged in this connection, some of the embarrassing ramifications of his having been involved in many transactions both as buyer and as seller were easily exploited by Hughes. In defending himself,

Perkins mentioned one deal in which he had "bargained" for some Morgan bonds and obtained them at a price 1 per cent below the price authorized by the New York Life Finance Committee.

"With whom did you make the agreement?" Hughes snapped.

"How do you mean?"

"With what individual? . . . Did you make this agreement with some other person than yourself?"

"I can't recollect," Perkins finally admitted feebly, "I think I did it myself, probably."[10]

It soon became clear that Perkins should not have become involved in financial negotiations between Morgan and the New York Life while connected with both organizations. The mere fact that he had not used the connection for personal profit did not eliminate the conflict of interest.

"When, in your judgment, are you acting for the New York Life?" Senator Armstrong asked.

"All the time," Perkins replied.

"When are you acting for J. P. Morgan & Company?"

"It depends on what the actual case is."

When Armstrong probed further Perkins had an answer that rang with sincerity: "Mr. Chairman . . . I know when a transaction comes to me, whether it is in J. P. Morgan & Company, or the New York Life or the Steel Corporation, or whatever it may be, I take up that question and dispose of it as I see my duty. . . ."

"The Senator is thinking of his Bible, where it says a man can't serve two masters," another member of the committee pointed out, not unkindly.[11]

Yet this type of testimony was not especially interesting to the public. Despite the expectations of his critics, only one aspect of Perkins's relation to Morgan really caused a stir, and that had little to do with conflict of interest. It concerned a bogus sale of securities.

In 1902 Morgan had organized the International Mercantile Marine Corporation, an attempt at a combination of Atlantic steamship lines. This particular plan had not worked out well; the securities of the new trust fell far below par. The underwriters stood to lose heavily on the deal, and one of them was the New York Life Insurance Company, which found itself with $4,000,000 of I.M.M. bonds that were worth about three-quarters of that

amount on the market. No doubt Perkins had recommended this investment to the New York Life, but no one accused him of any crime more serious than bad judgment, a charge that would have applied equally to some of the shrewdest investors in the country.

But as the end of 1903 approached, the officers of the New York Life were concerned about the fact that so large an investment in a "bad" security appeared on their books. To reduce it by selling some of the bonds at a large loss seemed foolish. They felt sure that the bonds would rise in value in time. It was therefore decided, obviously with Perkins's co-operation, to "sell" $800,000 of the bonds to J. P. Morgan and Company at par on December 31, 1903 and to repurchase them immediately after the first of the year at the same figure. In this way the annual report of the New York Life would show only $3,200,000 invested in I.M.M. bonds, with a corresponding increase of $800,000 in the company's cash balance.

Hughes discovered this strange arrangement and first questioned Treasurer Edmund D. Randolph about it. Randolph squirmed and twisted on the stand before Hughes's polite but relentless questioning, but he would not admit the obvious—that it was simply a scheme to dress up the company's annual report.[12] Perkins was no more candid than Randolph when called to task about these bonds, but he did provide some additional information. The company, he said, wished to reduce its holding but felt that the market price was too low. "I arranged to sell it to J. P. Morgan & Co. . . . at the price we paid for it. . . . Then I bought that back after the first of the year for exactly the same figure at which we had sold it and entered it in our assets again as a further purchase, and went on to sell it again. I finally sold it at 90." But despite his continued insistence that he had not intended to deceive the insurance commissioner, he could not explain away this peculiar year-end transaction.[13] The "crime" here was petty enough, but the action was thoroughly discreditable, and out of keeping with Perkins's constant espousal of the idea that all business should be conducted out in the open and above board.*

* In a later statement Perkins claimed that he had considered the original sale to Morgan a real sale, but that his partners had objected to it. He had then repurchased the bonds for the New York Life, but compensated the company for its later "loss" by making up half the difference ($80,000) between par and the final selling price out of his own pocket.[14]

In the public mind, the ties between men like Perkins and the great financiers were related to the dealings of life insurance companies with their trust company subsidiaries. Here, too, conflict of interest was involved, as it must inevitably be when the same men control the destinies of two interacting business organizations. The New York Life, for example, had owned the New York Security and Trust Company. It generally kept large sums of cash on deposit in the trust company at very low rates of interest. Of course, the profit earned when the money was reinvested by the trust company went in part to the insurance company as dividends, but individual executives of the two companies, *stockholders* in the trust company but only salaried officers of the New York Life, profited inordinately as a result.

Whenever a deal involving both a trust company and its parent life insurance company went sour the officers were sure to be placed in a basically untenable position. The New York Security and Trust Company, for example, had been mixed up in a reorganization of the New Orleans Street Railway Company. The railway had failed and there were large losses. In the process of cleaning up the debris, these railway securities were sold to the New York Life. The New York Life officers, when questioned about this transaction, had elaborate explanations to offer, and other evidence indicates that they considered the arrangement profitable to the insurance company. But it was easy, and not necessarily unfair, for critics to suggest that they were using their control of the insurance company to bail themselves out of a nasty situation in the trust company.[15]

What made the relationship particularly difficult for the New York Life was the "no stock" policy it had adopted in 1899 to satisfy the Germans. Divesting itself of its trust company stock was one serious difficulty posed by the new policy. Some consideration was given to keeping it as an "unadmitted" asset (that is, not giving it any value in the insurance company's balance sheet), and Perkins went so far as to obtain the Germans' permission to do this, but the insurance company finally decided it could not afford this luxury.[16] However, as Hughes brought out in his interrogations, the company had also used the trust company as a screen for stock purchases that its new by-law outlawed.

The most important of these transactions involved the U. S.

Steel syndicate, the story of which we have already considered. While no one could question Perkins's motive in obtaining this fine plum for the New York Life at no real risk, the fact that he was able to do so because of his relationship with Morgan emphasized the danger involved in such connections. What favors did Morgan obtain in return from the New York Life, dubious observers asked. Furthermore, purists were concerned at the cavalier way in which the "no stock" by-law had been so neatly avoided. Perhaps nothing illegal had taken place, but if Perkins would get around such a restriction in this case, might he not also do so in others where the advantage to the policyholders were less obvious? In discussing the deal with Hughes, Perkins pointed out self-righteously that in this single arrangement he had earned for the New York Life more than it was ever likely to pay him in salary. "It was . . . in every way a satisfactory transaction for the policyholders," he said. Nevertheless, when Hughes remarked that it was a "devious way of making . . . money," Perkins could make no effective reply.

If the New York Life had been able to purchase stocks, its participation in the steel syndicate could have been carried on in the open. It is ironical that Perkins, who almost alone had been responsible for the adoption of the by-law, evaded its spirit in this way.

There were several mitigating circumstances. The New York Life had many securities to get rid of before January 1, 1902. As the deadline approached it had not yet found a market for three big blocks of stock. One was its controlling share of the New York Security and Trust Company; the others were railway stocks: the Chicago and Northwestern, and the Chicago, Milwaukee and St. Paul. It is difficult to sell a large amount of any stock without depressing the market for that stock. In this case it was especially difficult, because potential buyers, knowing that the New York Life *had* to sell, held back as the deadline approached, hoping to pick up the securities at bargain prices. In November, 1901, the New York Life Finance Committee had entrusted the disposal of these securities to Perkins.

He solved the trust company problem by forming a syndicate to take it over at a price satisfactory to the New York Life. Al-

though some members of the syndicate were also officers in the New York Life, a fact that led critics to argue that this was a dummy transaction designed to evade the by-law, no one claimed that state law had been violated, and the matter received relatively little attention from Hughes. Perkins handled the railroad securities in a slightly different manner, and got into serious trouble as a result. Both of the lines in question were involved in internal struggles for control. Perkins anticipated that he could obtain large profits for the New York Life by holding on to these securities until one or another of the railroad rivals felt that he could obtain control of his line by purchasing the block of stock held by the insurance company. He therefore "sold" the railroad stocks to the New York Security and Trust Company.

Just as Perkins had estimated, this proved to be a lucrative deal for the insurance company. The fight for control of the St. Paul failed to materialize, and that stock was sold gradually in small amounts for an average price slightly below what it would have commanded at the end of 1901, but Perkins was able to sell the Chicago and Northwestern stock to Henry C. Frick and the Vanderbilt interests at 260, whereas, in December, 1901, the best offer he could get was 235. Thus Perkins cleared an extra quarter of a million dollars for the New York Life.

In order to disguise the nature of the arrangement, the business was entered on the New York Life books as a sale of the stock to the trust company. On the trust company books, however, it was carried as a loan, for which the stocks supplied the security. The money, in turn, came from New York Life cash desposits in the trust company. Technically the money was lent by the trust company to two minor New York Life employees, a bond clerk and a messenger. As a result, after the Armstrong investigation was over, Perkins was indicted for forgery.[17]

The Chicago and Northwestern stock sale illustrates very well the weaknesses of Perkins's method of handling New York Life financial affairs. His imagination, enthuasiasm, and self-confidence led him to do things that were at best irregular; at the same time his contempt for detail resulted sometimes in the use of questionable bookkeeping techniques. Usually his transactions were profitable for his employer, and no shred of evidence has been produced

to show that he ever used his position to enrich himself at his employer's expense. But once exposed to the light, some of his maneuvers appeared almost frightening, not for what he had done, but for what he might have done. Investigation made perfectly clear the need for stricter regulation of the insurance companies.

Perhaps an even better illustration of Perkins's questionable behavior was provided by Hughes's inquiries into his management of the funds of an institution known as Nylic for Agency Directors. This organization was part of Perkins's larger incentive program for agents. Since the agency directors (there were over two hundred of them by 1905) were salaried employees, the ordinary approach of a bonus based on insurance sold could not be applied to them. They were given bonuses for the efficient operation of their districts, but the plan applied to them was, as with other Nylic schemes, not based primarily on competition and expansion but on steadiness and savings. These directors were entitled to put a certain percentage of their salaries into a common investment fund. The company added 25 per cent to the sums deposited. "This money," Perkins explained to Hughes, "has been all handed over to me and I have invested it as my judgment dictated." At each annual meeting of the agency directors, Perkins and the other trustees of the fund reported on its current state. In the three and a half years of the fund's existence, Perkins pointed out proudly, $945,146.02 had been deposited by the agency directors and the company. This amount had grown under his management to $1,194,765.39, an increment of about 25 per cent.*

But Perkins was amazingly unconventional in his management of the Nylic fund. He simply kept the money in his own accounts!

"Don't you keep a separate fund for the Nylic money?" Hughes asked.

"No, sir," Perkins replied, "I do not."

"How do you discriminate between your individual interest and your duty as trustee . . . ?"

* Later profits made the returns even more attractive to agency directors. When Perkins left the company one grateful director wrote him: "Personally I have deposited in cash in the Nylic Fund less than $17,000. . . . That amount has been out less than three years. . . . When I consider to-day that my cash interests amount to over $42,000 I think I would be an ingrate if I did not openly express to you my great appreciation."[18]

"I do as my judgment dictates in each instance, handling the money to make the most profit. . . . I have sometimes invested Nylic money as Nylic money. I have invested it with my money and with other people's money, and have used it wherever I could to make the most out of the Nylic fund, and I have succeeded."[19]

In at least one case Perkins even allowed Nylic affairs to become entangled with those of the New York Life. In June 1904, Robert Winsor of the Boston banking house of Kidder, Peabody and Company came to Perkins with an attractive scheme for underwriting some bonds of the Mexican Central Railroad. A million dollars was required, and Perkins decided to make the investment on behalf of the agency directors' fund. This fund, of course, could not put up that much cash, which represented just about its total worth. So Perkins had the New York Life "carry the bonds for the interest," that is, the New York Life put up the money and collected the 5 per cent interest the bonds paid. By the end of the summer the syndicate had done its work and closed its books, with a resulting profit on the million dollars of over $40,000. Kidder, Peabody paid the money to the New York Life by check. This check was cashed and the proceeds turned over to *Perkins.* Through his highly informal personal bookkeeping arrangements, Perkins applied the money to the credit of the fund. (He then proceeded to invest it in something else. He bought U. S. Steel common at 19½!)

Perkins considered this deal perfectly sensible and ethical. When asked why he had not bought the bonds for the New York Life instead of for the fund, he said that he had the power to invest for both the company and the fund and must exercise judgment. The same question could be asked about any purchase, he pointed out. When the question was raised as to why, then, he had used New York Life money, he answered: "I had to obtain the money somewhere. . . . It was a perfectly natural thing for two reasons: . . . First, because it furnished an excellent transaction for the New York Life at over 5 per cent interest on absolutely safe securities. Second, because it was to be used in connection with an organization of agency directors . . . whose interests policyholders of the New York Life were vitally interested in promoting." The money was paid over to him as an individual, Perkins explained, because

of the way the deal had developed. He felt that no one could legitimately object to the transaction because all the interested parties had benefited.

In the course of the questioning on this point, Perkins made some startling statements that throw light on his philosophy of business ethics. "If a controversy arose between the Nylic and you as to the amount of profits you had made," Senator Armstrong asked at one point, "there would be no way in the world by which Nylic or anybody else could prove you had made more than you had claimed you had made?"

"No, sir," Perkins replied.*

"Do you not regard yourself as liable to an accounting?" Hughes asked.

"I do not," said Perkins, "but I would certainly regard myself as morally responsible if I made any substantial loss."

"Morally, but not legally?" asked Hughes.

"I would make it good."

"Without the aid of your testimony," said Hughes, "no one could prove that any loss had occurred."

"When the fund is divided," Perkins answered, "it will be very patent as to whether there will be a loss or profit."

His answer to criticisms of his stewardship was always to point to the results. Thus, in December, he published a summary of the work of the New York Life Finance Committee under his chairmanship. Considering the conservative nature of the securities in which the company dealt, the record was remarkable. In five years he had bought and sold over six hundred different securities for the company. During that period only ten transactions resulted in a loss, and five of these involved securities purchased before Perkins took office. With these losses subtracted, the committee could show a net gain of over $8,600,000 on all transactions. In addition the securities still held had a market value more than $1,400,000 above their cost, giving a total net gain (over and

* Actually, Perkins kept the Nylic securities in his safe at company headquarters together with a statement listing all the assets of the fund. This would have protected the fund in case of his death but was no protection against embezzlement. Once, in 1904, he temporarily removed some securities from the safe. He recorded this action by writing in a note to his wife: "I . . . owe the Agency Directors fund 50,000$ in Lake Shore Debenture Bonds."

above the interest accruing to the company, which averaged more than $4\frac{1}{4}$ per cent) of some $10,000,000. To Perkins, these figures seemed his ultimate justification; others, of course, found them less convincing, or rather, wished to peer behind the profits to observe how they were achieved.[20]

Basically Perkins was saying that he was an honorable man, which was true. It would have been unthinkable for him to have cheated the New York Life or any of its employees. Nor would he have consciously taken advantage of a policyholder. But along with so many other insurance executives of that day, he sometimes let his enthusiasm for the insurance *business* and for his particular company obscure his responsibility to the insured. He was not a hypocrite like President McCurdy of the Mutual, who could refer to his business as a "great beneficent missionary institution" at the same time that he paid himself a salary of $150,000 and loaded the payroll with numbers of useless relatives.[21] But so self-confident and sure of his motives was he, that he paid scant attention to the way in which things were done. It was almost as though he considered himself above the law; legal restrictions, he seemed to be saying, only apply to people who are dishonest.

Unfortunately, carelessness with details and disregard of formalities were all too common in the New York Life organization. When Hughes began to probe into their affairs, company officers became concerned about practices that had previously seemed perfectly natural. Thomas A. Buckner, for example, was in Paris during the investigation. Reading about the hearings, he was suddenly reminded of $28,000 he had received from the company in a highly irregular manner. When he had first come to New York he had been given an annual "allowance" of $6,000 in addition to his salary to make up for bonuses which he had been getting and which his new job would not entitle him to. This "allowance" was supposed to continue "forever," but after a couple of years Buckner had asked that it be "considered" a contract with five more years to run and that it be "discounted" right away. This was done. Buckner received $28,000 in one lump instead of the $30,000 that his perpetual "allowance" would have provided over a five-year period. But he arranged this simply through a discussion with President McCall. Neither the "discounting" nor even the original

promise of the "allowance" had been formalized in a contract! Buckner now realized that the records revealed only that he had collected an extra $28,000, and he was very much upset. He proposed an elaborate scheme for falsifying company records—Buckner would have considered these words an unfair summary of what he proposed, but they are not—and he even drafted a letter to himself to be dated back to the time of his coming to New York, in which his "allowance" was to have been made official.

The records no longer reveal whether or not Buckner's scheme was put into effect. It was so complicated and farfetched that it probably was not. Nor had anything actually dishonest been done. "At the time," Buckner explained, "I thought nothing of it." But in 1905 ("in the light of the present public feeling," as Buckner put it), arrangements such as this one seemed hard to justify.[22]

Hughes took no notice of Buckner's "allowance," but his investigation of other irregular intracompany financial transactions produced further scandals. One concerned the legislative activities of "Judge" Andrew Hamilton, lobbyist extraordinary. President McCall admitted on the stand to paying Hamilton more than a million dollars over a ten-year period for work of a political nature. Much of this money was handed over simply on McCall's order, no specifications being laid down governing its use, and no accounting being rendered by Hamilton. Under Hughes's grilling, McCall finally agreed that at least $235,000 of this money had been improperly paid out, and he agreed to pay this back himself if Hamilton would not.[23] This incident damaged the reputations of Hamilton, McCall, and the New York Life, and it reflected on the insurance business as a whole because it revealed how extensive were the sums (the policyholders' money, as Hughes constantly pointed out) that were spent in influencing state legislatures. For other companies were equally involved in huge lobbying expenditures. One, for example, maintained a notorious "House of Mirth" in Albany for the entertainment of legislators and politicians.

The full story of the lobbying activities of insurance companies will probably never be known. McCall claimed that expensive lobbying was necessary to prevent the passage of "blackmail" laws in many states, a charge that contained more than a germ of truth,[24] and he discussed his relations with Hamilton quite frankly. But

other officials were less candid, and most of the actual lobbyists, like Hamilton, conveniently departed from the country when faced with the possibility of being called to the stand.

John C. McCall, Secretary of the New York Life, was sent to Paris to try to obtain information from Hamilton, and to persuade him to return to America. Hamilton would say very little, and he refused to come home. "He says," McCall told William E. Ingersoll of the Paris office, "that he never gave out any of this money for legislative purposes except in hard cash . . . and that when he did it, it was on his word of honor that he would never divulge the names. . . . He would rather go to jail than give the names."[25]

Perkins claimed to know very little about Hamilton's activities, but he was being less than candid. Perhaps he was technically correct in saying that he was unfamiliar with the strange method of payment used in supplying Hamilton with money, for he never paid much attention to the routine of such matters, but he knew perfectly well what was going on. As early as 1897 he had made use of Hamilton's services in connection with some hostile legislation in Kansas and in the fight against the New York Limitation Bill of 1900 Hamilton played a large part with Perkins's full knowledge.

In Perkins's papers there is one of John A. McCall's personal cards. It bears this message, under the date, October 27, 1902: "Dear Mr Perkins. The Judge wants $10,000. Can you help him? Yrs truly, J A McC." Whether or not Perkins was able to "help" Hamilton in this case can no longer be determined, but the informal nature of the request indicates that Perkins was used to receiving such messages and knew what to do when he got one. Hamilton himself told John C. McCall that Perkins's testimony was one of the reasons he could not return to face Hughes. Perkins "testified in such a way that it made the impression that he never had anything to do with Hamilton and Hamilton's testimony would be in contradiction with G. W.'s"[26]

However, Perkins did talk more freely about another scandalous aspect of the company's political activity, its contributions to the Republican party. In studying the books of the New York Life, Hughes had come across an unexplained expenditure of $48,702.50. He had asked Edmund D. Randolph about this item and

Randolph had referred him to Perkins. During the luncheon recess of his first day on the stand, before he had been asked about this transaction, Perkins drew Hughes aside, saying: "Mr. Hughes, you're handling dynamite. That $48,000 was a contribution to President Roosevelt's campaign fund. You want to think very carefully before you put that in evidence. You can't tell what may come of it."

Hughes was a good Republican with a promising political future. But he was also an honest and conscientious investigator. "After lunch," he told Perkins calmly, "I am going to ask you what was done with that $48,000; and I expect a candid answer." When the question came up, Hughes got exactly that. Perkins admitted that the money had been paid to the Republican National Committee, and that similar sums had been contributed to the same organization in the McKinley-Bryan contests of 1896 and 1900.

When Hughes asked Perkins whether he thought such contributions should be made illegal, he answered forthrightly: "I certainly do." But whatever his abstract view, Perkins knew the power that such contributions could exert on behalf of the company, and so long as they were not illegal, he did not hesitate to make them. In the fight against the Limitation Bill, it will be remembered, he warned Hanna that the company would cut off its gifts unless the bill was killed. Later in the same year (1900) Perkins had asked Boss Platt of New York whether he wanted the New York Life to contribute to the Republican state campaign. Platt stroked his chin for a moment and then said: "Well, I don't see that you people are called on to make any contribution. I think whatever you do had better be done in a National way and let us rely on the National Committee." Perkins replied that this was "exactly in line" with company policy, and proceeded to give $50,000 of the company's money to the McKinley-Roosevelt campaign fund.[27]

Spending money to smother unfriendly state legislation might be justified on the ground that all the policyholders presumably would approve, at least in cases of the blackmailing type. But contributing to a presidential candidate's campaign was another matter. Obviously, among the thousands of policyholders of the New York Life, there would be many members of both parties. Aside from the propriety of supporting one candidate against another, com-

mon sense indicated that at least a very large minority of the policyholders would oppose any particular contribution.

In 1896 and to a lesser extent in 1900 contributions to the Republicans could be explained, if not justified. For it might be argued that the election of the Democratic candidate, Bryan, who favored inflationary monetary policies, would have a harmful influence on the value of life insurance policies. Be that as it may, as a federal judge was soon to point out, insurance officials were never thought to be "responsible for fluctuations in the value of securities resulting from political or general economic conditions brought about by no manipulative act of theirs."[28] But even if one accepted the idea that insurance officials should try to combat inflation through political influence, what could be said for the $48,702.50 which the New York Life gave the Republicans in 1904? In that year both the Democratic candidate, Judge Alton B. Parker, and the party platform were extremely conservative and anti-inflationary.

Although the New York Life executives professed to feel that their contributions had been perfectly proper, they had gone to great lengths to conceal these transactions on their books. In the controversial 1904 case, Perkins had paid the money out of his personal account to Cornelius N. Bliss, Republican National Treasurer. Then, several weeks later, the company sent a check for the same amount to J. P. Morgan and Company, where it was credited to Perkins's account.[29] One result of this subterfuge was the indictment of Perkins for larceny, the theory being that he had contributed his own money to the Republicans and then stolen a similar amount from the company. The charge was unfair, for McCall admitted readily that he had ordered Perkins to make the contribution. Still, there is no doubt that Perkins's action was improper, if not illegal. The same "careless" approach to the keeping of records again had placed him in a very bad light before the public and before the law.

CHAPTER X

THE END OF AN ERA

ON October 1, 1905, parishioners at the regular Sunday evening services of the Riverside Baptist Church heard a stinging sermon delivered by their pastor, the Reverend A. Lincoln Moore. His text was from Deuteronomy (xxvii:17): "Cursed be he that removeth his neighbor's landmark. And all the people shall say, Amen." His sermon was a denunciation of John A. McCall and George W. Perkins of the New York Life Insurance Company. After the services the Reverend Moore invited reporters into the vestry, where he announced the formation of a policyholders' committee dedicated to purging the company of these two culprits and to prosecuting them for their crimes. For George Perkins, this marked the beginning of a long period of embarrassment, expense, frustration, and disappointment.

Throughout the fall of 1905 the attacks mounted. The day after Moore's blast, another group of policyholders petitioned the company's trustees to bring suit against McCall and Perkins and force them to give back the money they had paid out to the Republicans. On October 3, Clarence H. Venner, a constant critic of large corporations, began still another attack. "Pres. McCall and Vice Pres. Perkins *must resign,*" he announced in a paid newspaper advertisement. "I hold a $50,000 policy . . . and represent many others. All New York Life policyholders who share my views are invited to write me." Soon a Boston "moral crusader" and stock market operator named Thomas W. Lawson, who had helped bring on the insurance investigation through his sensational articles in *Everybody's Magazine,* formed an International Policyholders Committee, with the brilliant attorney Samuel Untermyer as its lawyer, and began a concerted attempt to force out the officials of both the

New York Life and the Mutual Life by obtaining the proxies of policyholders all over the country.

These private groups were joined in the attack by the Insurance Departments of several states. On October 3, the Nevada Commissioner revoked the New York Life's license. Early in November, after calling for the resignations of McCall and Perkins, the Missouri Commissioner did the same. The Missouri Commissioner also demanded that the company turn over the names and addresses of all its policyholders in Missouri, and similar demands were made by the Texas and Tennessee Commissioners.[1]

Part of the time that this pressure was building up, Perkins was far removed from the center of the controversy. On October 10, having been assured by Hughes that he would not be needed, he left for Russia to negotiate a proposed new Russian bond issue for J. P. Morgan and Company. Morgan, Gary, and H. C. Frick were on hand to see him off. (The United States Steel Corporation also had an interest in his trip; Perkins had received a report that the rails of the trans-Siberian railroad needed replacing.)

In England Perkins was joined by J. P. Morgan, Jr. They proceeded to St. Petersburg to meet with Finance Minister Kokovsoff and a group of French, German, and English bankers. A $350,000,000 loan had almost been agreed upon ($20,000,000 being allotted to Morgan and Company), when the Revolution of 1905 broke out and the whole scheme had to be abandoned. Indeed, Perkins only escaped from the chaotic situation in St. Petersburg by chartering a steamship to take him and the rest of the party to Stockholm. He proceeded to Berlin, arriving at the same time as the King of Spain, which prompted him to telegraph to J. P. Morgan and Company: "HAVE CHANGED GOVERNMENT OF RUSSIA, SEPARATED NORWAY FROM SWEDEN AND WELCOMED THE KING OF SPAIN TO GERMANY. AM LEAVING FOR FRANCE TONIGHT. IF THERE IS ANYTHING YOU THINK NEEDS ATTENTION THERE CABLE ME AT PARIS." The answer, which came back swiftly, must have caused him to smile. "SHOW THEM FATHER'S LETTER," it read. But however exciting and however humorously viewed, the whole trip was a frustrating failure.[2]

When he arrived back in New York in November, Perkins faced still another humiliation. Realizing that he was rapidly becoming

a liability to the New York Life, he decided to resign as Vice-President of the company. It was a hard decision to make. As he entered the board room to hand in his letter, he turned ruefully to a friend and suggested that someone put up a sign "Please omit flowers." But the resignation was not a real one, for he had no intention of dropping his connection with the company completely. He did not resign from the board of trustees, and for some months, especially after the sudden death, caused by cancer, of John A. McCall, he remained a vital force in the operation of the company.[3]

The Armstrong Committee presented its report on February 22, 1906. Out of its summarization of the abuses it had detected, which included some eighteen in connection with the New York Life alone, came an irresistible demand for new legislation. Hughes prepared a series of bills which the legislature began to consider immediately. One outlawed political contributions by corporations. Another required all lobbyists to register. A series of measures attempted to provide for real policyholder control of mutual companies, to simplify, liberalize, and standardize policy forms, to make the companies keep a closer check on expenses, to limit both the total amount of insurance a company could sell and the percentage of income which they could spend in developing new business, and to break up connections between insurance companies and banks and trust companies. The general intent of all these proposals was to concentrate responsibility where it belonged, in the hands of high company officials, and at the same time to limit the power of these men and make their actions subject to public review. The new measures would also make the insurance business less competitive and more like the philanthropic institution so many of its leaders claimed it to be. While there were certain contraditions inherent in the various bills their over-all philosophy was both sensible and practical.[4]

To George Perkins, however, the Armstrong recommendations seemed to undermine the whole structure of the insurance business. In his papers there are a series of penciled memoranda, probably prepared in advance of a speech of some sort, which reflect his objections to the proposals, his philosophy, and his mood. "If things can get too big what will happen to U.S. . . . ?" "Might as well try to catch all kinds of fish with one kind of bait as to

insure all people with one form of insurance." "Would it be easier and less expensive for N. Y. state to . . . control ten companies doing 150 each or four or five doing 3,000,000,000?" "Would you limit size of N. Y. City, of passengers on a R.R., deposits in a bank, sales of a store, students in a college?"[5] But when the new insurance bills came up for consideration in the legislature Perkins did not make any personal effort to defeat them. Weary from the pressure of so much criticism, he went to Florida for a vacation.

As he departed, another petty vexation fell upon him. He had recently purchased a special automobile from a car builder named Frederick R. Wood. The machine, which was built on a French chassis and powered by a fifty-horsepower engine, reputedly cost him nearly $25,000. It was a huge vehicle; its 137-inch frame made it a full foot longer than any automobile that had ever been made. The newspapers magnified both the size and the luxuriousness of the vehicle. It could seat, they reported, eleven people, and contained all kinds of special gadgets. It was upholstered in fine leathers. It had a writing desk, a washstand, several revolving chairs, ebony woodwork, heaters, electric lights, mirrors, and many other special fittings.

Much of this was a gross exaggeration. Perkins's son, who remembers the automobile clearly, insists that it was simply a large seven-passenger limousine, without writing desk, washstand, ebony woodwork, or other special features. Nor did it cost "anything like" $25,000. But it *was* big and therefore conspicuous. The appearance of this gleaming maroon vehicle in New York attracted considerable attention. After the Armstrong revelations, this report of Perkins squandering so much money seemed further evidence of his public-be-damned attitude. The fact that the bulk of his income came from his Morgan connection did not stop tongues from wagging. The exaggerated accounts of the size, furnishings, and capabilities of the car, some humorous, some not, increased the unfavorable notice that it attracted.[6]

In Florida Perkins hoped to escape from further bad publicity. He selected the little east coast fishing village of Stuart, north of Palm Beach, for his vacation. Fishing was his favorite form of recreation, but he was neither a scientific nor an artistic fisherman. He liked to catch fish and had little interest in special tackle or big

game. He loved to go out with his wife and stepmother, who shared his tastes, and haul in as many fish as possible of whatever kinds might happen along. In three weeks at Stuart, he proudly reported later to J. P. Morgan, the three of them, helped only occasionally by some companion or other, landed 721 fish. His success made him an enthusiastic convert to Florida vacations. Stuart was not a fashionable resort. The Perkinses found simple lodgings there with a local resident named H. W. Bessey. But they were so satisfied that they began to make annual March visits, gradually sinking deep roots into the community. The next year they brought their own cook and maid with them, so as to relieve Mrs. Bessey, as Perkins said, "from every care except to catch as many fish as my mother." Eventually Perkins bought the Bessey place—"so close to the water that he can almost catch fish off the front porch" —and accumulated a small fleet of unpretentious but comfortable fishing boats, bearing such names as *Emily, Swan, Ox,* and *Snail.*[7]

Although Perkins kept clear of direct involvement in the fight over insurance legislation in New York, he was constantly communicating with insurance men on the scene in Albany. Buckner kept him informed, and his "personal agent," William C. Beer, wrote and telegraphed him daily. Perkins did not think that the strong bills drafted by Hughes would pass without amendments. "I . . . believe important modifications will be secured and that even annual volume can be changed," he wrote Buckner on March 11. "Annual volume," which closely resembled the Limitation Bill idea, was to Perkins the measure that would hurt the business most. "I expect you to make the fight of your life in this matter," he told Beer. "It is proper and indeed wise to say what total cost of doing business shall be, but having done that it is absurd to say how much or how little shall be done." Beer performed mighty labors, buttonholing legislators, conferring with Speaker James Wadsworth ("He is very amenable to Yale influence and I have gotten Yale to work on him good and hard"), and suggesting the names of newspapermen and lawyers who could be "persuaded" by the judicious employment of New York Life money to bring influence to bear on certain legislators. But the temper of the times and of the legislators was against the insurance companies and no amount of lobbying could help very much. All of Hughes's recom-

mendations were adopted substantially as proposed. Only later, after experience had demonstrated that some of the laws went too far, were modifications favorable to the companies adopted.[8]

"The Legislature of the State of New York seems to be determined to tear into shreds and scatter to the four winds of Heaven, the business of life insurance as practiced by the New York State companies," Perkins complained bitterly to an old Cleveland friend. One of the laws provided that trustees of all the mutual companies must stand for re-election under a new system designed to increase policyholder participation in their selection. Perkins at first determined to run for re-election. He knew a great effort would be made to defeat him, but he was confident that he could win. "My judgment is to stand and fight it out," he wrote early in April. But many of his associates outside the insurance field felt that he should not do so. They argued that a defeat would injure his reputation and prejudice his other interests, and they could see no corresponding advantage in victory to a man already engaged in many important and profitable enterprises. "They do not understand my feeling towards the Nylic organization and the policyholders," Perkins explained to a retired New York Life agent. Re-election would be a vindication, an answer to "all the miserable criticism that has been made of my work for Nylic."

His friends within the New York Life wanted him to run. "Don't resign," wrote John C. McCall, son of the former President. "We need men now as we never needed them before and we especially need men who love the Company." Letters like this one outweighed those on the other side. But again, the legislature entered the picture. Further laws restricting the types of activity in which life insurance trustees could engage made it impossible for Perkins to stay in the insurance business without dropping most of his other connections. He was not ready to do this. At the end of May he resigned as trustee; thereafter he had no official connection with the company.[9]

At the time he said little about the termination of more than twenty-five years of work for the New York Life, but it was disheartening to have come so far and done so much without finally achieving formal leadership. In one of his talks with James Deering about the reorganization of International Harvester during the

summer of 1906, Perkins was trying to persuade Deering, whom he thought utterly useless, to drop his active contact with the corporation. "Do you not consider that I am competent to run the . . . business?" Deering asked indignantly. Perkins could not answer this question frankly so he parried it with this most revealing remark: "Do you not think that I am competent to run the New York Life business—does anyone question my ability to run the New York Life business? Nobody I know could run it as well as I think I could. At the same time I know enough to know that I better not run it."[10]

In a sense he did not really leave the company. After a brief interval under the elderly Alexander E. Orr, the New York Life was headed for more than twenty years by Perkins's protégés, Kingsley and Buckner.* And even today his name is well known and his influence patent in New York Life affairs. Nor did the New York Life cease to be a major influence in Perkins's life. He no longer directed its affairs but he kept his friends within the organization and he was ever ready to help out an old Nylic man. The New York Life agent in Milledgeville, Georgia, for example, was such an enthusiastic supporter of the company that he named his daughter, born in 1898, Nylic. Twelve years later young Nylic wrote George Perkins a letter. Her mother was organist for the Milledgeville Episcopal Church, which was trying to raise money for a new organ. Would Mr. Perkins be willing to help out? A few days later she received a telegram: "BUY THE ORGAN AND SEND THE BILL TO ME. GEORGE W. PERKINS."[11]

Leaving the company did not end Perkins's woes either. He still had to face prosecution for supposed crimes committed in the company's name. The first of these involved the 1904 campaign contribution.

Could the directors of corporations be held criminally liable for contributing company funds to political parties? A Grand Jury, investigating the insurance business, seemed unable to decide. Finally District Attorney William Travers Jerome attempted to settle the question by arresting Perkins and charging him with

* Edward R. Perkins also continued as a Vice-President until his death in 1912.

grand larceny. By accepting a check for $48,000 from the New York Life he had, Jerome argued, stolen the money from the company.

New York Journal, April 27, 1908

"THRILLING TANK DRAMA NOW BEING ENACTED AT THE CRIMINAL COURT THEATRE BY JEROME & CO." *The newspapers did not agree with Perkins's view of his troubles with the District Attorney.*

Perkins, of course, had no choice but to fight the case. He had no serious fear of being convicted, but the annoyance and ignominy of the affair were depressing. The fact that Jerome was most sympathetic and considerate, making clear that he was simply using Perkins as a guinea pig to settle a doubtful legal point, did not make him feel any better. It seemed to him that he was being subjected to the indignity of a criminal trial simply because he had spoken frankly where others had quibbled and equivocated when questioned about campaign contributions. He was formally arrested on March 28 after his return from Florida, but before he could

be arraigned his lawyer obtained a writ of habeas corpus. This threw the issue before Justice Greenbaum of the New York State Supreme Court.[12]

Judge Greenbaum did not hand down his decision until April 19. In the meantime, Perkins went about his normal business. On the morning of April 17 he was driving downtown in his carriage. Perhaps the huge new automobile was out of commission, or perhaps the fine spring day led him to bring out his team of bays. As he turned round the corner of 110th Street, heading south on Broadway, he permitted the team to swing too wide, so that for the moment he was driving on the left-hand side of Broadway. Bicycle Patrolman Shea, standing beside his wheel on the corner noticed this and shouted at him: "Hold on there, you're on the wrong side!" Perkins "gave the policeman one long glance which Shea said he didn't like," and drove—slowly—to the correct side of the street. Shea thereupon leaped on his wheel and set off in pursuit, making Perkins stop his runabout.

"Did you say anything to me?" he demanded belligerently.

"No," Perkins replied, perhaps too frigidly, "I didn't say anything to you; I haven't time to talk to you."

"Well," Shea retorted, "I guess you'd better take time to go to the West 100th Street station."

"I think I'll take your number," Perkins answered, jotting down the number, 4624, of the policeman's badge.

At the station house, Perkins's name and address were entered on the blotter, and then he and Shea proceeded in Perkins's carriage to the West Side traffic court on 54th Street. There, after some delay, they told their stories to the judge, and Perkins was let go with a warning. The incident, petty in itself, illustrates the run of bad luck that he seemed to be having, and also his mood at the time. In happier days, he would never have inconvenienced himself by stirring up a policeman who was simply doing his duty. "I wouldn't have grabbed him at all," Shea explained to reporters outside the courtroom, "if he hadn't acted so sassy and independent. I spoke to him kind enough at first, [but] . . . when he gave me a frosty glance and went over to the other side, slow and deliberate, as if he didn't care whether he obeyed or not, I concluded I'd better let him know who I was."[13]

The worst thing about the incident was the additional bad

publicity that came in its wake. The picture of Perkins as an arrogant, overbearing tyrant that papers like the *World* and the *Journal* had been building up seemed just so much more plausible after Patrolman Shea had told his story.

Two days later Judge Greenbaum dismissed the writ of habeas corpus, arguing that the question turned on Perkins's intentions, which was a matter for a jury to decide. The case, however, was immediately appealed, and on May 26 the Appellate Court reversed Greenbaum. District Attorney Jerome at once indicated that he would not appeal, so Perkins went free.

However, the decision of the Appellate Court was not unanimous, and even the majority indicated that if *civil* proceedings had been instituted against Perkins their decision would have been different. "The officers and those in control of the company had no right to use the money of the company for such a purpose, and [Perkins] may be compelled by a civil action to make restitution." As a result of this statement Perkins decided to return the money voluntarily. Early in 1907 he sent his check for $54,019.19 ($48,000 with interest) to President Orr. Thus the incident of the campaign contributions came to an end.[14] By this time, however, Perkins was under a forgery indictment for making false entries to disguise the New York Life's sale of its railroad stocks.

This charge resulted from a grand jury investigation of the New York Life. Perkins testified on December 20, 1906 and was indicted on December 29. Once again the circumstances were unusual, for in handing down the indictment against Perkins and Charles S. Fairchild, President of the New York Security and Trust Company, the Grand Jury specifically stated that it believed that the "defendants were solely influenced by a desire to benefit the policyholders" and that they "neither did nor could in any way personally profit from the acts done." This remarkable statement brought a good deal of newspaper sympathy and support to the defendants, for it seemed to be lacking in common sense to go to the trouble and expense of a trial on a purely technical charge that was unlikely to result in a conviction.[15]

Perkins was even more indignant about this indictment than he had been about the larceny charge. In the first place the very idea of charging him with personally tampering with the books of the company seemed absurd. He took a positive pride, growing no

doubt out of his father's insistence upon his meticulous management of all clerical details, in having nothing to do with such routine matters. Then his long championship of the "no stock" idea, and the profitable termination of the transactions in question seemed additional proofs of the unfairness of the charges. He was all for demanding "an instantaneous trial," but his lawyers convinced him to try first to have the indictment quashed.

A long legal battle followed. In the end Perkins's lawyers obtained permission to examine the records of the Grand Jury that had handed down the strange indictment. From them they discovered that the jurymen had first decided not to indict, but that District Attorney Jerome had read them a long lecture to the effect that they must accept his definition of the law and that the law required them to charge Perkins with forgery. Hence their equivocal indictment. Finally, in the autumn of 1907, Justice Dowling of the Supreme Court threw out the indictments and Perkins at last was free of all further attack in connection with his activities in the insurance business.[16]

The Armstrong investigations and their many repercussions were very expensive for Perkins. In addition to losing his New York Life job with its $25,000 salary, and paying the Company $54,000 in compensation for the 1904 campaign contribution, he paid out more than $65,000 in legal fees in connection with the trials. Breaking his ties with the insurance business was also a blow. The New York Life had been more than an employer for him. He had entered its service while still a child; over the years it had given him wealth, power, and prestige. Struggling with its problems had provided him with his philosophy of business, government, and personal ethics, for he was not one for getting ideas out of books. To remain in its service he had first rejected the tremendous material rewards offered by Morgan. Later, when Morgan, against his own better judgment, agreed to let him remain active in the company, he had given it a large share of his time and perhaps too much of his financial influence at a greatly reduced salary. He had been uttterly convinced that the insurance business, as conducted by men like himself, was a great social service institution. Without really examining them he had accepted as axiomatic the prevailing *sentiments* of the insurance agent, whereas he had sub-

jected the prevailing *methods* of the agents to the most original and minute scrutiny and revision.

Then had come the day of reckoning. He had gone before Hughes supremely confident, co-operative, in most matters candid; politely but mercilessly, Hughes had exposed the fallacies and contradictions inherent in the insurance business. Perkins did not resent Hughes as much as he resented the unfairness of the yellow press, which questioned his motives as well as his methods, but he could not come round to Hughes's opinions of the life insurance business. He considered the new laws needlessly restrictive and destructive, and in later years greeted each minor revision in the direction of the old days as proof that he was right. Yet if his view of the insurance business was not changed by the investigation, his attitude toward government, people, and life in general certainly was. Never again, for example, did he testify before a legislative or Congressional committee with the same candor, or without a lawyer at his side. He did not lose his self-confidence, but he made no more references to his "father's letter," far fewer evaluations of his own contributions to the enterprises he was connected with.

The Armstrong investigation marked for him the end of youth and the beginning of old age. "George W. Perkins," a reporter from the hostile New York *World* noticed in June, 1906, "looks twenty years older than when the insurance exposures were first made." The reporter explained this change in terms of worry, which, he said, had "almost broken this iron man who was reared upon work and who in his own words has always loved work."[17] The explanation was probably unsound, for Perkins was so convinced he was right in the insurance cases that they did not trouble him much, and he was far from breaking down physically, as events were soon enough to demonstrate. But the bloom of youth was gone after 1905, both from his handsome face and from his spirit. He was, thereafter, a little less spontaneous, a little more cynical, and, for a time at least, somewhat less the crusader. The days of the "Old Reliable" and its many warm associations, the times of hectic struggle against "Essence" and "Espouser," of "figuring" with travel-worn agents in dingy hotel rooms, were gone forever. The final chapter of a story that began when Willie and his father took to the road, leaving George behind to grapple with ledgers, correspondence, and policy forms, had been written.

CHAPTER XI

PANIC!

ON August 8, 1911, a Congressional committee was interrogating George Perkins about the House of Morgan's domination of the steel industry. Tempers were as hot as the Washington weather as the questioning ranged over every aspect of the firm's affairs. Time and again the witness and Chairman Augustus O. Stanley clashed, interrupting each other repeatedly, their voices rising. Stanley asked Perkins about his personal contributions to political campaigns and threatened to cite him for contempt when, upon advice of counsel, he refused to answer. Members of the committee then wrangled endlessly in a partisan discussion of the propriety of the question. Finally, perhaps to clear the air, Congressman Charles Lafayette Bartlett of Georgia turned to the role of J. P. Morgan in the panic of 1907. "Is it not a fact," he asked the witness, "that Mr. Morgan and his associates, not only in that panic but in all panics and at all times, so control and dominate the financial situation in New York that they can control it as they please?" Perkins leaped from his chair, pounding the committee table with his clenched fists. "Absolutely not," he snapped. "There never was anything further from the facts. . . . Mr. Morgan was able to do what he did in that panic because of the man and his personality, and because people believed in him." "You need not get excited about it," Bartlett replied moderately. "I am not getting excited," Perkins stated quietly. "But I am in earnest."

Perkins's vehemence was understandable. No one had been closer to Morgan during the spectacular days of October and November, 1907, when the whole structure of American finance seemed to totter on the verge of an abyss. He remembered the white and shaken faces of the nation's leading bankers as they crowded

into Morgan's offices begging for direction, while mobs ranged through Wall Street and panicked depositors clamored for their savings at the doors of some of the largest trust companies in the city. Morgan had been indeed (the words are Frederick Lewis Allen's) a "one-man Federal Reserve Bank" in the crisis.[1]

The troubles of 1907, though serious, were for Perkins of a different nature than the troubles of 1905 and 1906. Those had been disconcerting, embarrassing, and frustrating. They had involved defense against personal attack and explanations of matters long past and often of little significance; thus they offered no opportunity for creative activity. The troubles of 1907, on the other hand, were exciting, stimulating, provocative of new insights into old problems. And, in the end, they were triumphantly surpassed.

The prelude to the panic of 1907 can be observed through Perkins's eyes as he reported on events to Morgan, who was in Europe, as was his custom, throughout the spring and summer. There had been a series of what Perkins called "disturbances" on the Stock Exchange in March, but the chief casualties had been reckless speculators, who had been "carrying ridiculously large lines of stocks on comparatively small margins." By the end of April, Perkins believed that the market was settling down. The bond market was weak, but Perkins (showing his prejudices) blamed this on one of the new insurance laws which forbade insurance companies to invest in debenture, collateral trust, and convertible bonds. In addition to removing an important buyer from the market, Perkins reasoned, the law made other investors wary of such securities, so that while first-mortgage bonds were snapped up at good prices the moment they were offered, less "safe" bonds moved only at a considerable discount.

A month later, however, Perkins was very pessimistic. "No one seems to have any confidence in anything," he wrote. "There seems to be a general feeling that we are likely to have a pretty serious time next Fall. For my part I think we are much more likely to have it very soon." The general lack of confidence made it increasingly difficult to borrow money, and Perkins reasoned that this drying up of credit must soon affect production. He wished that the firm, whose prestige had never been higher, might take a

position "on what might be termed the bullish side," but added hastily that there was simply no justification for doing so.[2]

As the summer moved along things got no better. The great Union Pacific Railroad offered its stockholders a $75,000,000 issue of convertible bonds. The stockholders subscribed to only $4,000,000; the rest had to be absorbed by Kuhn, Loeb and Company, the underwriters. Other attempts of perfectly sound corporations to raise money produced equally disastrous results. As Perkins had predicted, industrial activity began to fall off. U. S. Steel, after establishing a new record for earnings in the spring quarter, slumped badly in July until production was running about 20 per cent below the summer of 1906. In October the general situation deteriorated still further, for crops were late and farmers were straining the already taut credit structure by seeking extensions of their loans to tide them over. "The gloom and pessimism have been most intense," Perkins wrote on October 12. "It seem[s] as though there were not anything more in the way of unfavorable news that could be trotted out."[3]

Four days later, however, a bombshell struck the financial community. A big speculator named F. Augustus Heinze had been trying to corner the market for copper stocks. On the sixteenth his elaborate plan collapsed in ruin; his firm was unable to meet its obligations and was forced to close its doors. Heinze controlled a chain of banks. Rumors flew through the already demoralized financial district to the effect that these banks had been implicated in Heinze's personal collapse, and frightened depositors flocked to withdraw their funds. Their fear was contagious. Heinze's banks were basically sound, but other institutions could not withstand the infection. By October 21 the Knickerbocker Trust Company, with deposits of $60,000,000, was in serious difficulty. Its President had been associated with the unfortunate Heinze and its affairs were in bad shape. Lacking liquid funds, it could not meet the sudden demands of its frightened depositors without outside aid. That afternoon its officers took the extraordinary step of calling upon the House of Morgan for help. The general situation had moved beyond the stage of a "normal" run of pessimism and had reached the stage of panic.[4]

The following two weeks was probably the most hectic and

most physically grueling period of George Perkins's life. He was continually in the center of the desperate efforts that were made to check, control, and then put an end to the panic. But, as Perkins told Congressman Bartlett, the key figure was J. P. Morgan.

In dealing with the panic Morgan achieved his last great personal triumph, perhaps the greatest of his entire career. Many of his earlier achievements were more important, but none approached this one as an illustration of his courage and decisiveness, and of his influence over the minds and hearts of the leading financiers of his day. What makes his actions particularly remarkable is the fact that Morgan was by this time over seventy and semiretired. The panic struck at a time when he was very much out of touch with the lesser details of Wall Street developments. When he met in his office with the executives of the Knickerbocker it was almost the first time he had been at 23 Wall Street since the previous December. "Mr. Morgan . . . hasn't been down to the office since the middle of December," Perkins wrote P. A. B. Widener late in February, 1907. "[He] is taking a good deal of comfort in his Library, which we youngsters have dubbed 'The Up-Town Branch.' "[5] From mid-March to mid-September he was abroad. After his return, and right up to the collapse of Heinze, he was chiefly occupied with the Triennial Episcopal Convention at Richmond, Virginia, which he attended. He did not return to New York until Sunday, October 20. A series of hurried conferences with his partners and other bankers was all the preparation Morgan had for the explosive crises that began next day with the run on the Knickerbocker Trust Company.

When Morgan conferred with the Knickerbocker people Perkins and Steele were also on hand to brief him on developments. Soon he had a firm grasp of what was happening. Then, calmly but with determination, he took over. Quietly he assembled a group of young banking experts who could examine the assets of doubtful institutions dispassionately, and find out whether or not they were worth helping. The Knickerbocker Trust, they said, was not sound; Morgan (although he owned stock in the company himself) coldly decided to let it go to the wall. By the afternoon of the twenty-second, after doling out $8,000,000 to an unending line of creditors, the Knickerbocker closed its doors.

"We all realized that we were 'in for it,' that there would undoubtedly be runs on other Trust Companies," Perkins recorded at this time.[6] And indeed the trust companies rather than the banks were to be the center of the disturbance. For a decade previous to 1907 there had been a remarkable growth of this new kind of "bank." Ordinary banks were required by law to maintain large cash reserves but trust companies were not. With only 2 or 3 per cent of their assets lying idle in the form of cash, trust companies could afford to pay high interest rates to depositors. Between 1898 and 1906 their business more than quadrupled. But suddenly, with the collapse of the Knickerbocker Trust, the public became frightened. And it was all too obvious to the financiers that the trust companies, with their low reserves, would be hard pressed by even a moderate panic among their depositors. Still worse, there was no organization among them comparable to the Clearing House, which operated as a bulwark of mutual defense for hard-pressed banks.

The Knickerbocker Trust gave up the ghost at two o'clock on the twenty-second. At once Morgan decided to ask Secretary of the Treasury George Cortelyou to come to New York. Cortelyou, understanding the danger, agreed to do so. While he was en route, Morgan instructed Perkins to try to get the presidents of the city's trust companies to co-operate in their own defense, but Perkins discovered that none of them was willing to call a meeting, fearing that if he did his own institution would be suspected of weakness. Morgan and Perkins then conferred at length with George F. Baker of the First National Bank and James Stillman of the National City, and when Cortelyou arrived at about nine in the evening, this group was closeted with him for hours in his rooms at the Manhattan Hotel. Cortelyou agreed to deposit government cash in the New York *banks*, but the danger to the trust companies remained.

The most likely scene of future trouble seemed to be the Trust Company of America, one of the biggest in New York. This company held a large block of stock in the Knickerbocker Trust as collateral for loans, and rumors connected it with the Heinze copper speculations. That day the company had experienced heavy withdrawals, although not of panic proportions. As a result, Morgan's

experts had begun to look over its records to see if it was worth helping. But in the meantime, nothing further could be done. The conference broke up at two o'clock, Cortelyou and Perkins issuing "reassuring" statements to the newspapers.

These statements, however, did not have a "reassuring" effect. Evidently, in stressing the intention of Morgan to help deserving trust companies, Perkins gave too much stress to the Trust Company of America. Although he denied referring specifically to that company, some newspapers quoted him as saying that it was "the chief sore point" in the crisis. This was undeniably true, but if he said it, it was extremely impolitic. In any case, on the morning of the twenty-third long lines of despositors were waiting when that company opened its doors. President Oakleigh Thorne put on extra tellers in an effort to reduce the lines, but they seemed without end. Soon the main lobby was jammed with people, while hundreds more milled about in the street. Attendants struggled to organize the mob; finally the police had to be called in. The $11,000,000 in gold and banknotes that Thorne had collected to meet the rush dwindled rapidly.[7]

Meanwhile, Morgan's "team" of investigators was continuing its evaluation of the company's assets, while Perkins shuttled through the financial district urging presidents of the other trust companies to attend a meeting that Morgan had called for twelve-thirty in his office. So long as *Morgan* was willing to call the meeting, the presidents (now thoroughly frightened) were eager to attend.

By noon President Thorne was in desperate straits. He hurried up Wall Street to tell Morgan that he simply must have help. Morgan promised to do his best, but he was still depending on the other trust companies to save the Trust Company of America by raising a fund to tide it over the crisis. However, when the heads of the trust companies began to drift into his office, they were not in a co-operative mood. Their lack of organization was complete; many did not even know one another and had to be introduced. Morgan outlined the problem and suggested joint action, but when he finished his speech no one said a word. He tried again, but the heads of the largest and most secure companies said flatly that the Trust Company of America's problem was none of their

business and that weak companies would only obtain their just deserts if the panic spread.

While these discussions were going on, Thorne was sending bulletin after bulletin to Morgan describing the rapidly evaporating state of his cash reserves. One o'clock: $1,200,000. One-twenty: $800,000. One-forty-five: $500,000. Two-fifteen: $180,000. Still the other companies would not help. Leaving them fruitlessly debating, Morgan went to another office and called for a report from his special crew of experts. These experts had not finished their complicated task, but when Morgan asked one of them whether the company was solvent, he answered that it probably was. "This, then," said Morgan decisively, "is the place to stop this trouble." Baker and Stillman, who were at hand, agreed; together with Morgan they would supply the cash to keep the trust company going until closing time at three o'clock. Morgan ordered Perkins to the phone. If the company would send over half a million in prime securities as collateral, cash would be provided. This was done, and, as Perkins said later, "we kept them open until three o'clock, with cash sent down every few minutes."

Morgan had saved the Trust Company of America for the day; he still felt that the other trust companies must take up the burden on the morrow. But it was not until late in the evening that, under continued pressure from Morgan, they agreed to contribute to the support of the Trust Company of America. Even so, the key factor in their decision was the willingness of Secretary Cortelyou to make federal funds available to the trust companies indirectly. At a time when the trust company presidents were deadlocked, Perkins slipped away from the meeting and went to Cortelyou's room at the Manhattan Hotel. Cortelyou agreed to allow the *banks* (with which he could legally deposit the government's cash) to lend the money to the trust companies if they in turn would make it available to the beleaguered Trust Company of America. Thus a $10,000,000 fund was raised, seemingly enough to bolster the company against any trouble.

But the next day, October 24, brought only further crises. Morgan arrived at his office around ten to find the building jammed with frightened bankers and brokers. The fact that the Trust Company of America was able to pay off its demand deposits had not

ended the run; indeed, the panic now had struck at another institution, the Lincoln Trust Company. Still worse, the Stock Exchange itself was in serious trouble. In a matter of hours blue chip secu-

McDougall in Philadelphia North American, November 21, 1907

SOME WALL STREET TOUGHS WAYLAY THE SECRETARY OF THE TREASURY. PERKINS LURKS BEHIND MORGAN.

rities lost 8 to 10 per cent of their value. Money for loans had practically disappeared, and hundreds of brokers faced ruin. Speculators ready and willing to meet their obligations and take their losses, men possessed of ample (and solid) securities, simply could not borrow money at any price. Morgan was besieged by men with tears in their eyes, others feeble and numb with terror, all faced by the dread specter of bankruptcy. Early in the afternoon the President of the Exchange, R. H. Thomas, squeezed his way into the House of Morgan with the dreadful news that the Exchange must close down if countless failures were to be avoided.

Morgan would not hear of this. The crucial moment for the

Exchange would come about twenty after two, when it was customary to compare the day's sales and adjust accounts. Morgan summoned the city's leading bankers to a two o'clock meeting. When they arrived he told them that $25,000,000 must be raised in ten or twelve minutes. James Stillman promptly offered $5,000,000 of National City Bank cash, and others fell in line. By sixteen minutes past two the subscription had been filled. The word was announced to the waiting brokers, who cheered wildly and then rushed out to save themselves. When the market closed at three (after absorbing $18,000,000 of the $25,000,000 in half an hour) a mighty roar went up from the floor that Morgan heard in his office up the Street; upon inquiry he learned that the members of the Exchange had been cheering him as the savior of the situation.

Morgan, however, did not share in this feeling of relief. He and his inner circle of advisers were despondent as they headed uptown to the Morgan Library for further conferences. The runs on the trust companies had not slackened. The $10,000,000 trust company fund had almost evaporated. Millions of dollars in hard cash had been pouring into the troubled situation by Cortelyou without producing any improvement whatsover. During the evening Clark Williams, the State Superintendent of Banks, informed the group that Governor Charles Evans Hughes (the Armstrong investigation had made Hughes politically) was considering a two-day bank holiday and wished to know what the bankers thought of the idea. Everyone but Morgan approved; he said that closing the banks would be disgraceful. Then, shortly after midnight, word came that Hughes had decided he lacked the authority to declare a bank holiday. At one o'clock the weary group broke up, feeling, as Perkins remarked, "that we had about reached the end of our rope and no one having any idea what would happen the next morning." To cap their troubles, the twenty-fifth was a Friday. The psychological effect that this fact might have on superstitious and already frightened investors added to the general gloom.

Dawn did nothing to revive their spirits. Once more the Morgan offices were haunted by desperate men facing ruin. By noon the Stock Exchange was in trouble again. Money was not to be had at any price, for the trust companies were calling their loans right and left in a frantic effort to retrench. Morgan had served notice

on "the big bear operators" that "if they attempted to break prices and throw the market into a panic he would crush them."[8] Through Perkins he asked President Thomas to stop executing orders on margin, and the brokers had responded "most splendidly," but even so, by early afternoon the demands for money became critical.

Again Morgan called the bank presidents to a meeting, this time at the Clearing House. He asked them to raise another $15,000,000, but could get promises of only $11,000,000. Many felt that their reserves had already been depleted beyond the danger point. (Morgan was contemptuous of this attitude. When, even earlier in the panic, one banker had protested that his reserve was already down to 26 per cent, Morgan had said with scorn: "You ought to be ashamed of yourself. . . . What is a reserve for if not to be used in times like these?") But time was short; Morgan took what he could get.

Herbert L. Satterlee, Morgan's son-in-law, has left a graphic description of Morgan, derby hat set solidly on his head, a cigar clamped between his teeth, his coat unbuttoned, sailing along Nassau Street from the Clearing House to his office. He walked fast through the crowded street, eyes straight ahead, mind engrossed in his problems. Those who recognized him stepped deferentially from his path; those who did not, according to Satterlee, "he brushed aside." He neither dodged, nor wove in and out through traffic, nor slackened his stride. "He simply barged along . . . the embodiment of power and purpose."[9]

Once again the money was enough to save the Exchange, though by the barest of margins. The situation looked a little better that evening, but Morgan was in conference with financial leaders until after midnight, and then with Stillman, Cortelyou, and Perkins at the Manhattan Hotel until the small hours of Saturday morning. It was decided (over Morgan's strenuous objections) to issue Clearing House certificates in lieu of cash, because the huge sums that Cortelyou had been pouring into the banks were evaporating rapidly. Depositors were simply withdrawing the money and salting it away. Perkins checked with the leading banks of the city and discovered that nearly two thousand new safe deposit boxes had been rented during the past week!

Psychological means were also employed to combat the panic.

Cortelyou issued a confident statement to the newspapers; the bankers set up an information committee and undertook to reach religious leaders with an appeal for optimistic sermons. There was some improvement on Saturday, and Cortelyou ostentatiously returned to Washington in order to create the impression that the crisis was over. Morgan also left the city for the weekend.

Sunday was calm and Monday also. There was another shortage of money on the Stock Exchange, but this time the brokers were able to make individual arrangements with their banks and no heroic action was necessary. The runs on the trust companies went on, however. No longer did the beleaguered companies try to stop them by paying rapidly; now they doled out cash as slowly as possible to conserve their dwindling supplies. Of course, this system did nothing to calm the fears of depositors. Each morning found the grim-faced crowds waiting, many clutching lunchboxes along with their passbooks, determined to remain as long as necessary to collect their money.[10] By Tuesday, despite their appearance of serenity, the men around Morgan were terribly worried. "Three o'clock never seemed so long in coming nor so welcome when it did come as on this day," Perkins reported. On Wednesday the timid officers of the Lincoln Trust Company almost failed to open their doors. Only a tongue-lashing from the House of Morgan kept this company and the Trust Company of America going. On Thursday the State Superintendent of Banks, exasperated by the dilatory tactics of tellers at these institutions, informed them that they must begin to pay off depositors at a reasonable rate or he would close them both. All Thursday afternoon and well into the night the Morgan group discussed the problem. Disgust with the management of the two companies was patent. "The officers seemed hopelessly at sea; we couldn't get them to get down to business and try to collect their loans or realize on their assets," Perkins complained later. Yet they must be saved in spite of themselves. "It was not because we were particularly in love with these two Trust Companies," he said. "Indeed, we hadn't any use for their management and knew that they ought to be closed, but we fought to keep them open in order not to have runs on other concerns."

The second week of the panic was jammed with muted but deadly

serious crises. The New York City government, long plagued by financial difficulties, suddenly found itself facing bankruptcy. During the summer, the House of Morgan, together with the First National and National City Bank, had bolstered the city's credit by underwriting a $40,000,000, 4.5 per cent bond issue, but by October the city needed money again. City officials had promised not to spend more than half of the $40,000,000 before the end of the year, but on October 3 Perkins wrote J. P. Morgan, Jr., who was in London: "We are having a lively run-in with the City authorities, who have simply grossly overlooked their understanding with us as to the money that was to be left on deposit. The last three or four days they have seemed to sit up nights and work Sundays in order to draw checks on the First and the City."* When Perkins complained directly, the City Fathers threw up their hands and said that their obligations had turned out to be larger than expected. While the senior Morgan was away at his church conference in Richmond, Perkins met almost daily with city officials to seek a solution. The difficulty lay in the fact that $42,000,000 of revenue bonds, to be redeemed out of taxes, were falling due in late October and early November. The officials had assumed that these obligations could be renewed, as they often had been in the past. They had, therefore, blithely spent the tax money. But the general financial situation made the raising of any new money difficult in the autumn of 1907. On October 12, Perkins asked Morgan for permission to underwrite a new $20,000,000 issue, and Morgan agreed, but on his own authority Perkins then decided that the situation was so uncertain, and the city's bookkeeping methods so chaotic, that further loans would be unsafe.[11]

The dangerous state of the city's finances was a closely guarded secret, for combined with the tense conditions on Wall Street, the news might have caused a general collapse. Aside from Perkins and the municipal authorities most directly concerned, only Morgan, Baker, and Stillman were aware of the city's plight. Perkins deliberately avoided discussing the problem with Mayor George B. McClellan, confining his meetings to lesser officials, lest the papers get wind of the seriousness of the situation.[12]

By Sunday, October 27, the city's problem had become critical.

* The First National and National City banks.

New York, an official told Perkins, had to have some $30,000,000. "To raise even one million dollars seemed about as possible at that moment as to move a mountain," Perkins explained shortly afterward. But he agreed to consult Morgan.

When Morgan returned to the city that evening he and Perkins discussed the question with Stillman and Baker. They agreed to demand a frank explanation of the city's "actual financial condition" before lending it any more money. The next afternoon after a long talk with Mayor McClellan, the City Comptroller, and others, Morgan offered to underwrite further bonds if the city would pay 6 per cent interest and "appoint a committee carefully to look over the City's method of bookkeeping and general practices as to appropriations." McClellan promptly agreed.

After the municipal authorities left the bankers examined the problem further. It seemed almost beyond solution. Apparently there was no market for any American securities in Europe at the moment, and 6 per cent interest would not attract many investors in America at a time when money was extraordinarily tight. Finally Morgan provided the solution. The new bonds would be turned over to the Clearing House, which would issue Clearing House certificates to the amount of their value. These would be credited to the city through the First National and National City banks. The next afternoon, when the bankers and officials met again in the Morgan Library, Morgan presented the plan. Never did he display his talent more brilliantly. Here is Perkins's account of the conference:

> Without saying a word to anyone, Mr. Morgan sat down at his desk, took up his pen and began to write. With scarcely a hesitation, without even stopping to select a word, he covered three long sheets of paper, and then reading it over, he handed it to me and said: "See what Messrs. Baker and Stillman think of that." It was his proposition. . . . Mr. Stillman and Mr. Baker scrutinized the paper very carefully as a business proposition, and Mr. Stetson scrutinized it very carefully as a lawyer and, after a discussion of perhaps twenty minutes, the two bankers and the lawyer admitted that the paper was practically perfect. . . . Then it was turned over to the Mayor, the Comptroller, the City Chamberlain, and their legal staff, and they discussed it for a long time. Then we all discussed it together and, while this, that and the other

man made suggestions and offered corrections, at the end of a couple of hours the paper that had been written off by Mr. Morgan in this rapid, impromptu manner was accepted by everyone without a change.

This neat bit of inflation, very profitable of course to the underwriting bankers, who got both the interest and the use of whatever part of the money was not immediately expended by the city without putting up a cent of cash, was later subject to some criticism.[13] But the fact remains that no other banker came forward with *any* scheme for avoiding bankruptcy. Perkins stated the case for the bankers clearly, and in its proper context: "When one stops to think that several prominent concerns in New York City were at that moment on the brink of failure; that money was loaning at from 25% to 50%; that time money was not quoted at all; that even the best securities were almost unmarketable, and that there was absolutely no foreign market for our securities, one realizes that the courage of Mr. Morgan, Mr. Baker and Mr. Stillman in taking hold of this situation and saving the City's credit, is perhaps without precedent in financial annals."

Thus the city's crisis was overcome successfully, but the basic panic situation continued. The top-heavy credit structure of the nation's banking system was increasingly complicating the New York situation, for banks all over the country were drawing upon assets deposited in New York institutions. By the end of the second week the strain was beginning to tell on everyone. Morgan was an old man; he was plagued by a heavy cold; yet he was up late every night, making vital decisions and assuming immense responsibilities. Perkins had not been to bed before two o'clock for fourteen consecutive nights. Twice within the week he had made secret night trips to Washington to see Secretary Cortelyou. On one of these he left New York in the evening, conferred with Cortelyou from midnight until three, then returned at once to New York, arriving at eight o'clock for a working "day" that extended until three the following morning. After two such weeks, on Sunday, November 3, Perkins was up all night, snatched an hour's sleep from six to seven Monday morning, and did not get to bed until one-thirty Tuesday morning. On Tuesday his day began with an eight o'clock appointment at the home of James

Stillman. Others involved in the crisis worked equally hard, one may be sure.

Upon men so fatigued there fell, on the second weekend of the panic, a blow that threatened to wipe out all their past efforts. The brokerage firm of Moore and Schley, it suddenly developed, was in desperate straits. Grant B. Schley, head of this company, belonged to a syndicate that controlled an independent steel plant called the Tennessee Coal and Iron Company. Schley's firm had lent the syndicate the money for the purchase, receiving T. C. & I. stock as collateral. This stock it had then itself deposited in banks as collateral for time loans. Now these time loans were falling due, but Moore and Schley lacked the cash to meet them. Under "normal" circumstances this would have been no great tragedy for anyone but Moore and Schley; the banks would have simply sold the T. C. & I. stock. However, this stock, being owned by a small group, had not been actively traded on the Stock Exchange for some time. Its price had been held steady around 130, yet the market as a whole had declined precipitously in recent months. Should the banks attempt to dispose of the stock it would probably have to fall at least fifty or sixty points before buyers could be found for it, wiping out Moore and Schley of course, but also gravely embarrassing the banks and perhaps triggering a general collapse of the whole stock market.

When this situation was called to Morgan's attention on Friday, November 1, he saw at once that Moore and Schley must be rescued. But how? The simplest method would be to lend them money, but they needed about $25,000,000, and after two weeks of panic such a sum seemed impossible to raise. So another of the innumerable conferences of those fearful days was convened at the Morgan Library on Saturday morning. Lewis Cass Ledyard, lawyer for the T. C. & I. syndicate, presented this conference with a "brilliant" plan. Why not have the United States Steel Corporation purchase the Tennessee Coal and Iron Company? No money need be raised, for the steel company could simply exchange some of its own bonds (in which the public had confidence) for the T. C. & I. stock.

Morgan quickly realized that here was a chance to add a valuable property to the steel trust and at the same time avert trouble on

the stock market. Perhaps, if the deal could be combined with a final settlement of the problems of the two trust companies, the whole panic could be ended. He ordered a meeting of the Finance Committee of U. S. Steel for that very afternoon. At that meeting, however, he ran into unexpected opposition. Some members were afraid that the merger would provoke an antitrust suit. Henry C. Frick, always a power on the committee, argued vehemently against the idea on the ground that the Tennessee Company had extremely high costs of production and would not be a valuable addition to to U. S. Steel. Morgan retaliated by saying that its coal and ore deposits alone were worth the cost. Finally, after much debate, running over into the next day, the committee voted to make two offers to Moore and Schley. They would buy the stock at $90 a share or they would lend Moore and Schley $5,000,000. But both propositions were turned down by the brokers because neither would yield enough cash to save them, and the conference broke up.

Perkins, who was strong for the merger, hastily sent a Morgan accountant to go over the books of the Tennessee Coal and Iron Company in hopes that he could make a more favorable report as to its condition. Perkins also persuaded Schley to send for the President of the company, who might be able to make a better case in argument with Frick. On Sunday the U. S. Steel Finance Committee met again in Morgan's Library. After much argument the T. C. & I. men were able to convince Frick that a new rail mill, just being completed, would enable them to produce more efficiently than in the past. Finally the Finance Committee voted to offer par for the T. C. & I. stock (paid for in U. S. Steel bonds valued at 84) *provided* that President Theodore Roosevelt would approve the merger, that the transaction would definitely save Moore and Schley, and that some other arrangement could be worked out to help the two struggling trust companies.[14]

Frick and Judge Gary left at once for Washington to see Roosevelt. While they were en route, attention reverted to the two trust companies. Expert investigators had by now prepared detailed reports on the value of their assets which made it clear that the Trust Company of America was completely sound and the Lincoln Trust no more than a million dollars short of being able

to pay off all its depositors. Under panic conditions, however, these assets could not liquidated. All Sunday night the Library was buzzing with conferees; at three in the morning there were about 125 financiers in the building, while outside, knots of reporters awaited word on the debates. No answer was forthcoming. Finally at five in the morning, the conference broke up, the directors of the Lincoln Trust Company having decided not to open their doors that day.

Monday morning, November 4, was in many ways the most disheartening period of the panic. Cables from London indicated that American securities were falling there in morning trading. Should Wall Street follow this trend, many brokers would be caught without funds to meet their margin requirements. Failure of the Lincoln Trust Company to open might produce a wave of further runs.

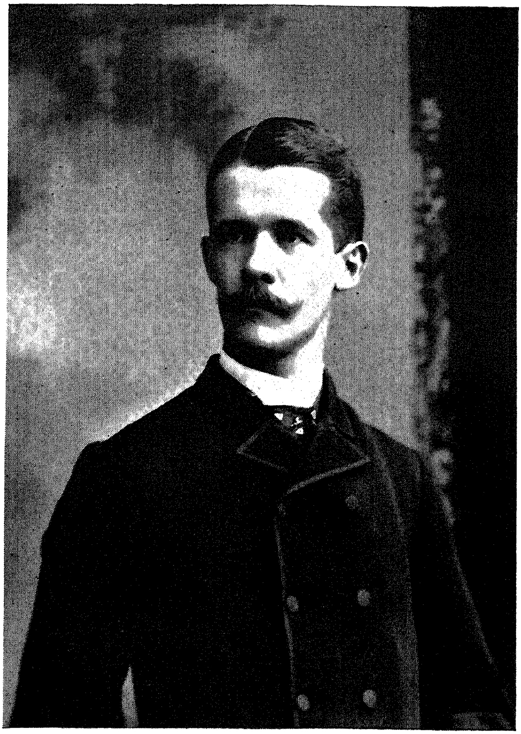
But when things looked blackest there was a turn for the better. Gary phoned from Washington that Roosevelt had approved the T. C. & I. merger; this news was allowed to "leak" and the market rallied. Representatives of Morgan and the leading bankers persuaded the State Superintendent of Banks to permit the Lincoln Trust to continue its slow payment policy and the directors voted to open up after all. However, final consummation of the steel merger depended on a permanent solution of the trust company problem, and this had not yet been worked out.

Morgan now appealed to John D. Rockefeller, for Perkins had come up with a bold plan. Suppose a fund of $40,000,000 could be pledged to support the two companies. This sum represented all their remaining deposits. Surely the runs would end when depositors learned that they could definitely get their money. If Rockefeller would pledge half of this sum, Morgan and the bankers would somehow find the rest.

The negotiations were conducted by Perkins. He called on John D. Rockefeller, Jr., and described the condition of the trust companies: how they had assets which in time could be liquidated and how, therefore, there would be little risk in the loan. "I told him that I believed his father had a very great opportunity to be of immense service to the business of the country and to win fame for himself in a most worthy cause," Perkins recalled. "I

George W. Perkins at his desk at the New York Life Insurance Company

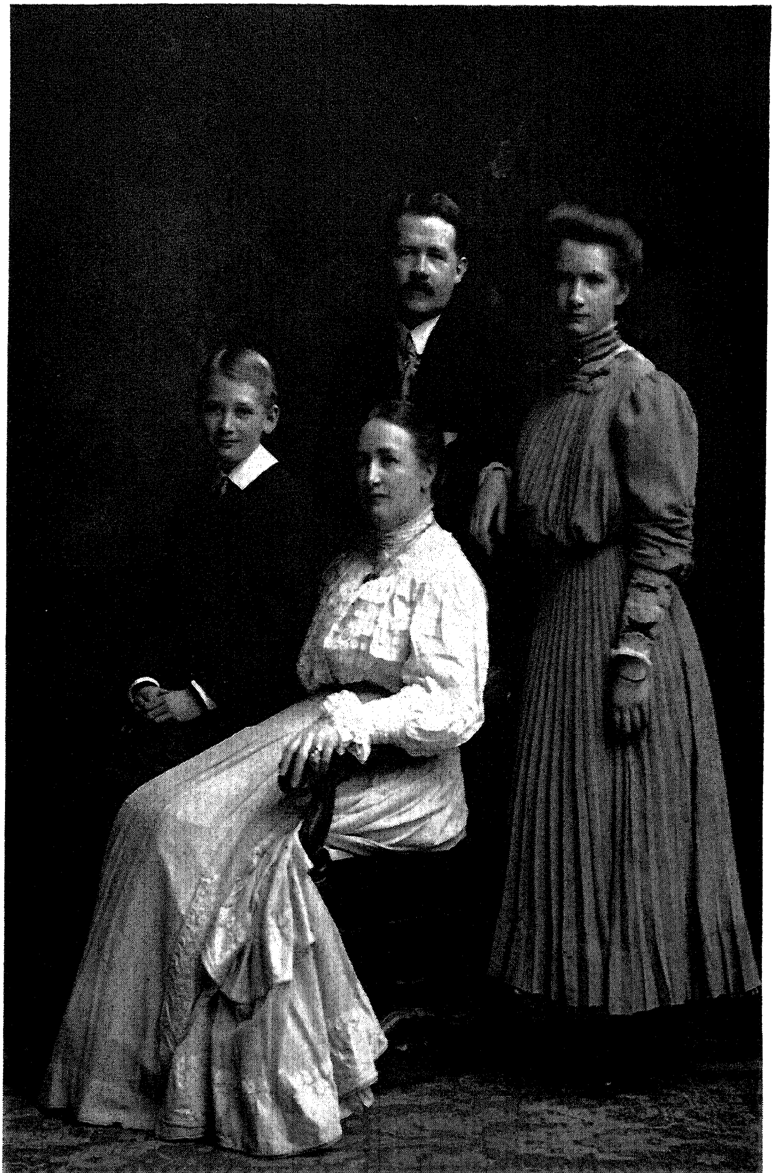
George Walbridge Perkins, his wife Sarah Mills, and their children, George, Jr., Emily, William and Edward



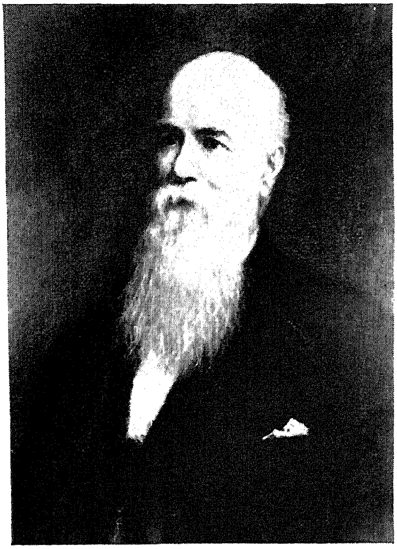
George and Evelina Ball Perkins at about the time of their marriage

George Perkins and his stepmother in Alaska, 1909

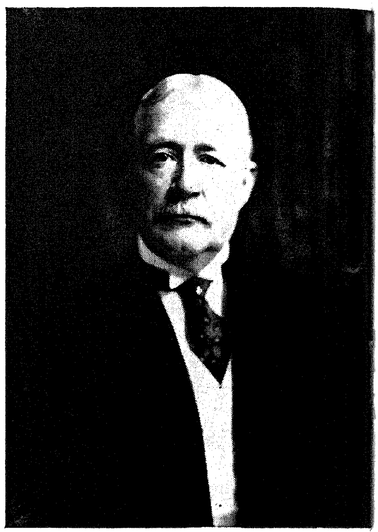
Perkins's favorite spot—the porch at Glyndor, overlooking the Hudson and the Palisades

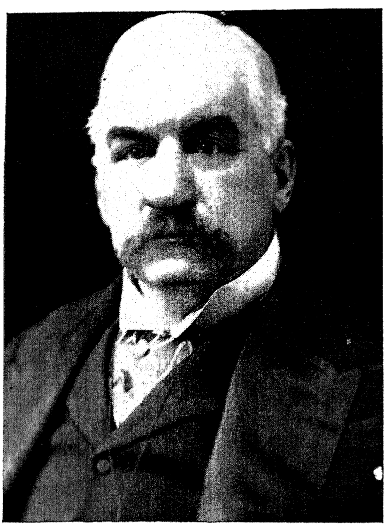


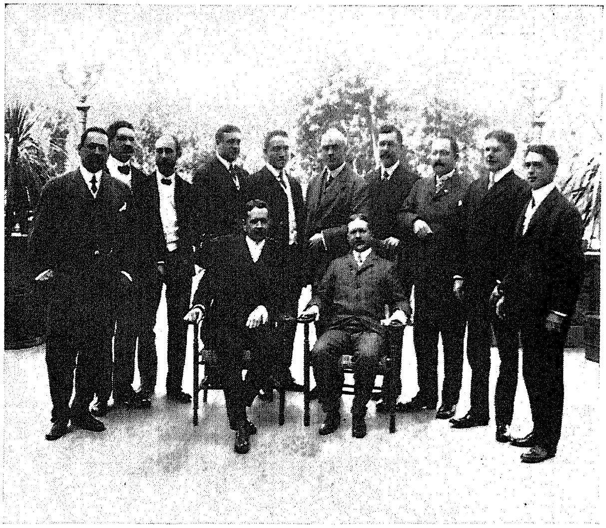
Evelyn and George Perkins with their children, Dorothy and George, Jr., 1906



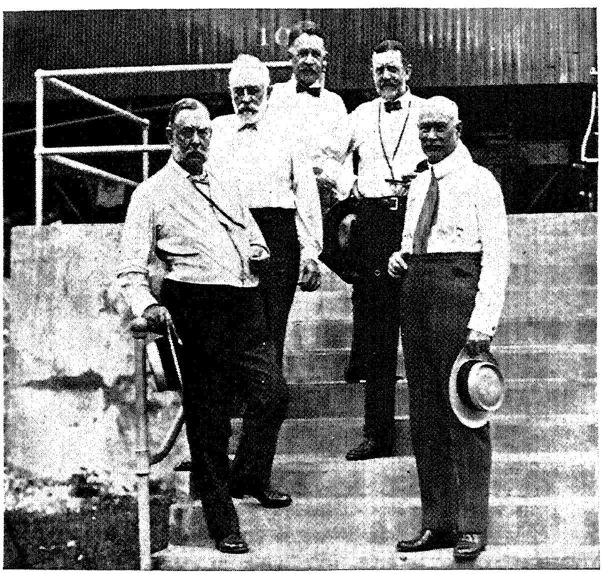
George W. Perkins's bosses: William H. Beers, John A. McCall and J. Pierpont Morgan







George W. Perkins and Thomas A. Buckner (seated) with the crack agents of the New York Life Insurance Company at a convention shortly before the Armstrong Investigation



U. S. Steel Finance Committee, 1917. Left to right, George F. Baker, Henry C. Frick, George W. Perkins, Percival Roberts and Elbert H. Gary

George W. Perkins speaking at the Palisades Interstate Park

explained . . . that . . . his father would be in the attitude of having protected over fifteen thousand depositors, which step, I felt sure, would bring him the commendation and good will of hundreds of thousands of people all over the United States. I pointed out to him how the President at Washington had commended Mr. Morgan . . . and others for what they had done, and how I believed such action on Mr. Rockefeller's part would unquestionably make a favorable impression on the President and other governmental officials at Washington." Perkins's last point was, no doubt, particularly weighty with the Rockefellers because an antirebate suit against Standard Oil was then in the courts, on appeal from Judge Landis's astronomical $29,000,000 fine, levied in August, 1907. The younger Rockefeller promised to take the matter up with his father, but after much debate their decision was negative. This effort thus ended in nothing.

Tuesday, fortunately, was election day and a bank holiday. Morgan, Stillman, and Perkins used the time to work out a new scheme. With the help of the committee of trust company presidents they would undertake to raise $20,000,000 for the Trust Company of America and the Lincoln Trust. In turn, these companies would place 66 per cent of their stock in a voting trust consisting of the heads of some of the other companies to be named by Morgan. The leverage that would force *all* the trust companies to agree to these terms would be the T. C. & I. deal. Unless they agreed the Finance Committee of U. S. Steel would not approve the merger and in the resulting chaos no trust company would be safe.

The grand climax came on Tuesday night in the Morgan Library. In one room were the executives of the Trust Company of America, in another the executives of the Lincoln Trust Company. A third held the presidents of all the major trust companies, and a fourth the Finance Committee of U. S. Steel. Morgan men circulated from room to room, pressing for agreement. On into the night the negotiators debated, while outside reporters waited impatiently for an announcement. At one point there was a great stir—a mysterious woman in black entered the Library and a rumor circulated that she was Hetty Green, the famous miser. (It turned out, however, that she was only a lady who held an important

mortgage on the chief office of the Trust Company of America.)[15] Finally, at three o'clock on Wednesday morning, the news broke. U. S. Steel had absorbed the Tennessee Coal and Iron Company; the trust companies would be supplied with ample cash and their management taken over by a committee headed by the universally respected Edward King, President of the Union Trust Company.

When trading began on Wednesday there were sharp advances on the stock market. The bonds of U. S. Steel fell slightly in active trading as they were used to meet Moore and Schley's obligations. (Business-stimulating cash came out of safe deposit boxes to pay for these securities, of course.) At the trust companies, the lines of waiting depositors moved briskly for the first time in two weeks. (Observing reporters estimated that customers were being serviced at a rate of one every three minutes, whereas previously as few as three a day had actually received their money.) Seven million dollars in gold had just arrived from Europe and the *Lusitania* was expected momentarily with ten million more. "BANKERS SAVE BIG TRUST COS. BY FLOOD OF CASH," the headlines proclaimed. "MORGAN CLEARS UP THE WHOLE TRUST SITUATION." A tremendous change for the better had taken place; all talk of failure and collapse ceased as if by magic. The panic was over.[16]

The panic of 1907, although followed by a brief industrial depression, had many salutary results. More than anything else it was responsible for the creation of the Federal Reserve System, and for the stiffening of regulations controlling trust companies. Centralized control of finance, long overdue in rapidly industrializing America, could be achieved only after the weaknesses of the old system had been so effectively demonstrated. In the crisis, as Congressman Bartlett suggested in 1911, Morgan had indeed "controlled and dominated the situation." But as Perkins said at that time, he did so not through his financial power, great as that admittedly was, but through the force of his personality—through his courage, determination, and skill. J. P. Morgan was no saint. He took his 6 per cent along the way. But while others cringed before the force of the storm, he braved its wildest winds and, accepting every risk, piloted the financial community to safe harbor.

As for Perkins, aside from the satisfaction of a difficult job

successfully accomplished after many frustrations, the panic provided him with further arguments for the idea that the answer to America's economic ills lay in centralization and government regulation. Shortly after the panic, he made his first important speech on the subject of "The Modern Corporation," beginning a new period in his life, during which his attention was to swing from business and the making of money to politics and the spending of money.

CHAPTER XII

PARTING WITH THE SENIOR

"Now that the panic is over and the country is quieting down," the circular said, "it is time to tell the public what the trouble has been and to help it to a better understanding of the situation." Thus Columbia University announced, on December 1, 1907, a series of lectures by prominent Wall Streeters on aspects of the financial situation. Frank A. Vanderlip of the National City Bank was to talk on "The Modern Bank," a former editor of the *Wall Street Journal* would speak on "The Stock Exchange and the Money Market," Paul M. Warburg of Kuhn, Loeb and Company on "American and European Banking Methods." Others were to discuss the Clearing House, currency, and foreign exchange problems. The last lecture, on "The Modern Corporation," was to be delivered by George Perkins.

Perkins's speech was not a success. When it was over, the President of Columbia, Nicholas Murray Butler, hurried off without a word of congratulation, evidently believing, according to Perkins, that he had unwittingly invited a dangerous radical to Morningside Heights. For Perkins had attacked some of the basic concepts of competition and free enterprise.

The fundamental principle of life is co-operation rather than competition—such was the idea that Perkins developed in his talk. Competition is cruel, wasteful, destructive, outmoded; co-operation, inherent in any theory of a well-ordered Universe, is humane, efficient, inevitable, and "modern." The corporate form of business organization has developed of necessity as a result of inventions and scientific advance. When men worked their fields with oxen and crude tools they could dispose of their produce through individual trading; with the speed-up in transportation and com-

munication and the development of new sources of power, more complicated business forms like partnerships and simple corporations became necessary. The giant combinations of the twentieth century, Perkins argued, are the inevitable result of modern technology. Not unscrupulous businessmen but the steam engine and the telephone are the real creators of huge corporations and "trusts." Instead of attempting to destroy them, Americans should try to understand their wonderful contributions to society.

Of these contributions the most important, according to Perkins, were the elimination of waste and the efficient use of both material and human resources. Many of the points he mentioned were obvious: the savings resulting from standardization, more efficient marketing procedures, better research facilities, and so on. Others reflected his experiences in the United States Steel Corporation: the pacification of labor through steadier employment and higher wages, the flattening of the curves of the business cycle by holding to fixed prices in good times and bad. But the most interesting, and most controversial, of his suggestions concerned management. Instead of struggling to destroy one another, Perkins said, the leaders of an industry dominated by a large corporation can co-operate with one another. At the same time they can engage in "constructive and uplifting" friendly rivalries in the interest of more efficient production. Further, since no individual or small group can own so huge a business, the modern corporation is an instrument for democratizing the ownership of industry, eliminating nepotism, family dynasties, personal "pull." The big corporation is also aware of its responsibilities to society. Self-interest makes it adopt policies that are fair to both the public and its competitors. Its managers are more likely to take the long view, while its mere size will attract the public eye and impress the managers with the need for circumspect conduct. In labor relations the directors of large corporations are also likely to behave more objectively and therefore more fairly than their counterparts in smaller business units. "They can look on all labor questions . . . solely from the broadest possible standpoint of what is fair and right between the public's capital, which they represent, and the public's labor, which they employ."

Perkins conceded that every large corporation was not living

up to its "responsibilities." All should learn to plan ahead, and should direct their policies toward long-run rather than short-run goals. All must learn to understand their semipublic nature and encourage widespread stock ownership by their own employees as well as by the public at large. And finally, the giant corporations should learn to expect and even to welcome government regulation. This regulation, however, should be provided by the national government rather than by the states. Big corporations do business all over the country. "To be faced with the requirement to report to and be supervised and regulated by forty or fifty governments, with varying ideas and laws, of course suggests difficulties that are almost insurmountable. . . . For business purposes in this country the United States Government is a corporation with fifty subsidiary companies, and the sooner this is realized the sooner we can get the right kind of supervision of semi-public business enterprises. . . . In no other way can the public be protected from the evils of corporation management." The regulation ought to be friendly rather than hostile. Perhaps, Perkins suggested, some kind of special court should be set up to settle economic disputes, but in any case public policy must be accommodated to the idea that co-operation rather than competition is the only rational basis for modern enterprise.[1]

Perkins was not a reader of books; he made no formal study of economic theory. Nor were the ideas that he developed in his Columbia speech entirely original; by 1908 many businessmen were talking about the value of "co-operation." But his thinking was clearly the result of his own experiences. The evangelical Presbyterianism of his youth contributed a great deal to his broad point of view. In middle life he was much less concerned with religious questions than he had been as a boy, but the early "missionary" attitude remained. It was reflected in his pronouncements on the social obligations of business leaders, in his emphasis on the development of fair policies toward labor, in his de-emphasis on competition. Unlike so many of the businessmen of his day, Perkins was not able to separate his personal standards of morality from his ideas of business morality. Although some critics undoubtedly considered his public statements to be tinged with cant, the ideas he expressed on the subject of social responsibility were

no mere window dressing to decorate his argument that big corporations were desirable.

His work with the Steel and Harvester corporations also has a great impact on his thinking. The size of U. S. Steel and the dispersal of its stock among many thousands of investors suggested to him that it might almost be considered a publicly owned business. In 1906 the writer Herbert N. Casson interviewed Perkins in connection with a series of articles on "The Romance of Steel," which he was preparing for *Munsey's Magazine*. "I'll give you a name for your 'Romance of Steel,' " Perkins said to him. "You ought to call it 'How the People of the United States Bought the Steel Business.' What is the difference between the United States Steel Corporation, as it was organized by Mr. Morgan, and a Department of Steel as it might be organized by the government? Suppose Lyman J. Gage,* instead of Mr. Morgan, had consolidated the steel business. Wouldn't he have had to buy out the owners? To do this wouldn't he have had to issue bonds? . . . Is it not also true that the United States Steel Corporation has abolished the secrecy which covers the ordinary private company? Does it not issue public reports of its progress, of its gains or its losses, just as if it were a department of the government? Mr. Morgan unified the American steel business, but he distributed the power of ownership. . . . He transferred the authority from a few hundreds to tens of thousands."[2]

Earlier experiences in the insurance business had still more influence on Perkins's ideas. His stress on co-operation was inspired by his career in the New York Life, which was a mutual company fond—for selfish reasons if for no other—of emphasizing its co-operative nature. Perkins had been trained in a business that everyone recognized to be semipublic and subject to regulation. That business was rapidly expanding and devoting much effort to the rationalization and the glorification of the supposed advantages of size. The fact that it had suffered from confusing, contradictory, and sometimes foolish and corrupt regulation by many different states convinced Perkins of the advantages of federal regulation.

Perkins was a brilliant competitor who eschewed competition. A phenomenally effective insurance salesman, he nevertheless

* Secretary of the Treasury under McKinley and Roosevelt.

abandoned selling for the task of organizing and managing other salesmen. In a viciously competitive field he made his great success and his lasting contribution by developing the branch office system, which de-emphasized competition. In 1901, having made the New York Life the largest company in the field, he tried to persuade the presidents of the Mutual and the Equitable to merge with the New York Life and share in the benefits of the branch office system. "Make everything purely mutual, and be the exponent of real and justifiable socialism," he argued. The others, however, would have none of his scheme; they thought he cared only to set himself up as head of the proposed giant.[3]

Perkins came through by his own efforts in the fierce struggle of the nineteenth-century business world; his personal behavior was intensely individualistic, his greatest failing his insufficient consideration of the ideas and feeling of others, but he was champion of the idea of co-operation. A man with little formal education, few intellectual or cultural interests, he was nonetheless capable of a broad understanding of social and economic problems.

Speeches, of course, mean little in themselves. The real influence of Perkins's ideas can only be measured in terms of their acceptance by others. His impact in the steel and agricultural machinery businesses was very great, and his development of employee stock ownership and profit-sharing schemes affected many such programs in other industries too. Speechmaking opened up a broader field, but Perkins had too much of the crusader in him and too much self-confidence to be satisfied with delivering an academic lecture now and then. Political action would be a far more effective instrument, in his opinion.

The free silver controversy of the nineties first stimulated Perkins to take an active part in politics. He had always been a Republican but when the Democrats came out for free silver in 1896 he became a fervent Republican. After the Democratic convention he wrote a friend: "Nothing as utterly wicked and against all the best interests of the nation has taken place in the history of this country, since the firing on Sumter." The party platform was "absolutely crazy and anarchistic," he said.[4] As an insurance man, naturally fearful of inflation, he could hardly have taken a different

position, and he fully supported his company's decision to contribute to McKinley's campaign.

Shortly after the 1896 election, his interest in politics was further stimulated by the election of his close friend Albert J. Beveridge to the Senate. He had met Beveridge some years earlier, being introduced by a man named Volney T. Malott on a train between Chicago and Indianapolis. "You two youngsters ought to know each other," Malott said, "and you ought to get along together first rate." The two "youngsters" did become fast friends, and for years their gay correspondence reflected the warmth of their relationship. Both were vigorous, ambitious, and headed for success, and both were convinced that they were cut out for great things. "You are a flowing bowl of human champagne, sparkling with an effervescing joy which infects, intoxicates and permeates one's entire being with mighty cheer," Beveridge once wrote Perkins. Perkins replied by predicting that Beveridge ("the handsomest man in the world") would soon be President of the United States, and that he, Perkins, would be his Secretary of State.[5]

In February and March, 1899, after Beveridge had been elected Senator from Indiana, Perkins devoted more and more of his energies to political matters. In an attempt to get Beveridge good committee assignments, Perkins buttonholed Mark Hanna. Hanna, however, pointed out that he too was a freshman Senator not entirely satisfied with his own assignments, so Perkins sought out Senator William Allison of Iowa, chairman of the powerful Senate Appropriations Committee. He then arranged through Vice-President Garrett Hobart, to have Beveridge invited to the White House. In addition, he bombarded the new Senator with advice about the issues of the day, the speeches he should make, and the intricacies of party maneuverings. One would have thought Perkins the Senator and Beveridge the friend. Perkins also fussed over drafts of proposed Beveridge speeches, although the Senator was already a superb orator, and Perkins anything but distinguished in his own literary style.[6]

Then in 1900 Perkins met Roosevelt and became his friend. Shortly thereafter political lightning struck T.R. and Perkins found himself a friend first of a Vice-President and then of a President of the United States. He even played a role of some

importance at the Republican convention of 1900, which nominated Roosevelt for the vice-presidency.

Perkins attended this convention, which met in Philadelphia, in a purely unofficial capacity. But he was close to the inner circle because of his friendships with Roosevelt, with Hanna, who supposedly was masterminding the convention, and with Charles G. Dawes, the Comptroller of the Currency, whom he had met through Beveridge. In his first real contact with political decision-making, Perkins learned of an argument between Roosevelt and Boss Platt of New York, in which Platt, who wished to get rid of Roosevelt by kicking him upstairs into the vice-presidency, threatened to block Roosevelt's renomination as Governor. Roosevelt, who did not want to be Vice-President, flared up and told Platt bluntly that he could manage his renomination in New York no matter what Platt tried to do. But the national demand for Roosevelt was too strong to be resisted. McKinley was sounded out by the Roosevelt supporters and obliged by urging that the convention be left free to choose whomever it desired—a boost for Roosevelt, who was popular with the rank and file. On June 20, at the request of a group of Roosevelt supporters Perkins went to Washington to ask McKinley to express his views more specifically. The President said that he felt Roosevelt must accept the call of the convention if tendered. He painted a glowing picture of the new importance of the office, and instructed Perkins to pass his views on to Roosevelt and also to Hanna. On returning to Philadelphia, Perkins gave McKinley's message to Roosevelt, who professed to accept the presidential endorsement as definitive. The convention then nominated McKinley and Roosevelt.

"Now that the smoke has rolled away I am sure you must feel that the very happiest solution was reached at Philadelphia," Perkins told Roosevelt on June 23. "When I went to Washington to see the President . . . I was full of the idea that your wishes should be respected. . . . After my long talk with the President, in which he made the situation so perfectly clear, I came back to Philadelphia convinced that there was but one thing for the party to do, and but one thing for you to do." "I guess you are right," Roosevelt replied. "At any rate I am now thoroughly reconciled to the result."[7]

After joining the House of Morgan Perkins increasingly exerted

his influence in matters beyond the realm of insurance legislation. Because of his belief in federal regulation of business he added his weight to the drive for the creation of the Department of Commerce and Labor, and when it was established in 1903, Roosevelt rewarded him with one of the two pens used in signing the Act. By that year he was also taking an interest, financial and otherwise, in the struggle between Hanna and Roosevelt for control of the Republican party, in a Kansas senatorial election, and in many lesser matters.[8] More and more, however, he directed his interest toward the problem of government policy in relation to business, and especially toward the Sherman Anti-Trust Act, which seemed to him an utterly foolish piece of legislation.

Perkins was a high official in important "trusts" and Theodore Roosevelt was supposedly a great "trust buster" but the issue did not interfere with the development of the Roosevelt-Perkins friendship. They did not at this time become intimates, but as early as 1901 Roosevelt was sending drafts of speeches and statements on the trust question to Perkins for his comments and suggestions. Even the successful prosecution of the famous suit against the Northern Securities Corporation did not cause any breach between them. Roosevelt, of course, was not so strongly opposed to large corporations as some of his statements seemed to indicate. He used the Sherman Act to break up industrial concentrations because Congress refused to make available means of *controlling* them. In his first message as President, in December, 1901, Roosevelt advocated the creation of a federal board on the model of the Interstate Commerce Commission to supervise "great industrial combinations." The rise of such giants, he said, was the result of "natural causes in the business world," and in general, this rise had benefited the whole country.

Naturally, Perkins was pleased to see such sentiments voiced from the White House. Furthermore, Roosevelt's distinction between a good trust and a bad one (and, as the Supreme Court itself was eventually to say, both the United States Steel Corporation and the International Harvester Corporation were "good" trusts) reflected Perkins's view of the problem almost exactly. In August, 1905, Perkins was able to tell Roosevelt that he thought his latest statement on the trust question "everlastingly right." Also, Per-

kins's dislike of the Sherman Act grew with the passage of time, just as Roosevelt's interest in using it declined. Thus, when Perkins sent Roosevelt a copy of his Columbia speech attacking the very principle of trust busting, the President wrote, in thanking him: "It is needless to say that I am in substantial agreement with most of the propositions it contains, altho there are one or two of what I may call side propositions which I would like to think over before committing myself about."[9]

Soon after the speech at Columbia, Perkins took part in a series of conferences sponsored by the National Civic Federation on the subject of revising the Sherman Act. The Civic Federation's committee, headed by Seth Low, sought to draft proposals suitable to both labor and capital. Samuel Gompers, President of the American Federation of Labor, and Judge Gary of the steel corporation were actively engaged in this work. The labor people were primarily interested in gaining exemption for unions from the restrictions of the law, and the bill finally submitted to Congress explicitly conceded the workingmen's "right to strike for any cause" and to "combine or contract with each other," without violating the Sherman Act. For industry, the significant sections provided that corporations might register with the Bureau of Corporations, presenting full data on their organization, financial condition, and so on. Having done so, a corporation could submit in advance any particular scheme or contract possibly involving restraint of trade. If the authorities then found that the proposal was "in *unreasonable* restraint of trade" it would be abandoned, but if no such determination was made within thirty days, the presumption was to be that the plan did not violate the Sherman Act. This suggestion, as Elting Morison has pointed out, anticipated the Supreme Court's "rule of reason" decisions and would have established a system for issuing consent decrees, which were not then legal.

Perkins made a number of trips to Washington in February and March, 1908, in connection with the proposed bill. He talked with Roosevelt about it early in March, and obtained his approval of the general idea toward which the committee was working. On this same trip he also conferred with Senator Nelson Aldrich of Rhode Island, who was drafting legislation to reform the national banking system in an effort to prevent a recurrence of the panic of 1907, and he worked with Beveridge over a proposed tariff reform bill.

Beveridge opposed Aldrich's banking bill, and Aldrich sent a hurried call to Perkins, who was now in Florida, asking him to return to Washington to convert his friend. Breaking off his vacation after less than a week's fishing, he came back and persuaded Beveridge to support the Aldrich bill. For several days he was engaged in an almost constant series of conferences involving the Sherman Act, the Aldrich bill, and Beveridge's Tariff Commission bill. "I have been just about as busy every minute . . . as we were during some of the panic days in New York," he wrote Morgan.[10] At this time, the forces that were soon to burst forth in the turbulent battles of the Progressive Era were still building up. Vast economic developments on the march since before the Civil War, were rapidly altering the face of America. Once a nation of farmers, the country had become a great industrial power within a few decades. New conditions required new adjustments by industry, government, and the public itself, yet men could not agree as to what these adjustments should be. Indeed, few had the vision even to see all the problems.

Perkins, in the center of the economic changes that were reordering society, was more aware than most men of what was going on. But he saw only part of the picture, and that, primarily, from the perspective of the United States Steel Corporation. In all the hectic maneuverings that winter, he failed to look beyond his own scheme for modifying the Sherman Act. When he talked to Beveridge at one moment and Aldrich the next he believed himself in the same sort of "trading" situation that he had been in, for example, in 1902, with the McCormick brothers in one New York hotel and the Deerings in another. He did not realize that whereas the farm machinery tycoons were kept apart only by greed and pride, the politicians stood for rival philosophies of government, less easily reconciled. Nor did he see that the issues that divided them on tariff and banking policy were closely related to the question of industrial regulation, which interested him so much. He was pleased and proud when he was able to persuade Beveridge to support Aldrich's banking bill, failing to understand that no basic answers to the questions that divided the Senator from Rhode Island from the Senator from Indiana were provided by the measure.

As for the scheme to alter the antitrust law, it got nowhere.

Roosevelt, who had supported the proposed amendments at the start, balked when he saw the bill in final form. Under it the Commissioner of Corporations would have full power to decide what was "reasonable" restraint of trade. Without a provision for judicial review of his decisions, many lawyers believed that the Supreme Court would void the law as granting too much discretion to a government official. Since Roosevelt was strongly opposed to "the folly of trying to leave a measure like this to be determined in the first instance by the courts," he lost interest in the whole idea. Congress took no action on the bill.[11]

Indeed, during the last months of Roosevelt's term, Congress took little constructive action in any direction. The President raged and orated and seemed to grow more radical from day to day, but the legislators paid him no heed. As he said himself, with characteristically colorful language, "the period of stagnation continued to rage with uninterrupted violence."[12] Observers blamed this stagnation on the fact that Roosevelt's presidency was ending, and with it his power, but the real reasons were to be found in the unresolved but explosive controversies of the day, which were shortly to burst upon the well-padded personage of William Howard Taft, Roosevelt's hand-picked successor.

In 1908 Perkins was in full sympathy with Taft and worked hard for his election. Since he had been badly burned in the matter of corporate campaign contributions, he devised an elaborate scheme for raising money in relatively small amounts from hundreds of individual contributors. This plan was not adopted, although it represented the kind of fund-raising campaign that in recent times has become more and more important in political financing, but in the last weeks of the contest, in response to an appeal from Taft's campaign manager, Frank Hitchcock, he organized a drive that raised a million dollars. According to Hitchcock, Perkins, more than any other individual, was responsible for the money poured into the campaign by businessmen. After the election there were rumors that Perkins would become the new Secretary of the Treasury, and Perkins himself claimed later that he alone had been responsible for Taft's choice of Franklin MacVeagh, a Chicago banker and businessman, for that office.[13]

In the 1908 Republican platform, the party pledged itself to

"such amendments as will give to the Federal Government greater supervision and control over and secure greater publicity in the management" of the industrial giants. Perkins hoped that Taft would push for a national incorporation law. But the new President had his hands full with his attempts to revise the tariff and to mend the growing split within his party, and did nothing except enforce the Sherman Act as it stood. Perkins soon began to write letters to him, expressing ideas which were increasingly radical. "Ultimately there can be but one solution," he wrote in November, 1909, "national incorporation and regulation. . . . Those who would enforce the Sherman Act literally it seems to me are on the wrong track. . . . What they really want is a law that will absolutely forbid the use of electricity in any shape, form, or manner; for it is the cable, the telegraph, the telephone and wireless that have wiped out State lines and annihilated distance so far as the commercial world is concerned."[14]

Perkins (along with thousands of other Republicans) grew more and more dissatisfied with presidential leadership in 1909 and 1910. But he had many things on his mind, and it was not until late in 1910 that he began to push his political ideas hard.

In the years after the panic of 1907, Perkins dealt with a great number of different enterprises with which the House of Morgan was concerned. Early in 1907 he retired as chairman of the U. S. Steel Finance Committee, but he remained on the committee and continued to devote a good deal of his time to the steel corporation, as well as to International Harvester. In the summer of 1909 he took his family to Alaska in connection with a large copper and coal deal that Morgan was contemplating. In the same year he helped work out a department store merger for the merchant John Claflin. But the most important of his new tasks in these years had to do with Middle Western railroads.

Back in August and September, 1905, when the Armstrong Committee was beginning to probe into the insurance business, J. P. Morgan made a mistake. At the request of the Erie Railroad, he undertook to purchase for Erie a line known as the Cincinnati, Hamilton, and Dayton Railroad. This $12,000,000 transaction was completed easily and seemed a routine matter until the President

of the Erie, Frederick D. Underwood, discovered that the statement of the condition of the C. H. & D. which Morgan had obtained for him from the previous owners, and which was used in determining the selling price of the line, was a serious distortion of the line's actual condition. What had been represented as a prosperous system was actually one verging on bankruptcy. Upon discovering this state of affairs, Underwood went to see Morgan at once. Morgan did not hesitate. However unwittingly, he had given a false account of a property he was selling, and the fact that someone whom he had trusted had given him the incorrect information did not alter the case in his eyes. He offered to repurchase the C. H. & D. at the price the Erie had paid for it. This generous offer was accepted, and Morgan then placed his new property in the hands of a receiver.

Morgan might well have attempted to return the C. H. & D. to its original owners, but that was not his way. Instead, he decided to reorganize the system so that he could eventually dispose of it at a profit. He turned this job over to Perkins. The C. H. & D. controlled another railroad, the Père Marquette, running from Detroit to the northern part of Michigan. Perkins became chairman of the board of both the Père Marquette and the C. H. & D., and President of the Toledo Terminal Company, which also was controlled by the C. H. & D.

His first important decision was to try to separate the Père Marquette from the C. H. & D. He reasoned that the former was a one-state road and that its future lay in developing the rapidly expanding Michigan market rather than in being part of a great trunk line. To set the Père Marquette on its feet as an independent railroad he needed about $5,000,000 in new cash. Perkins knew that Morgan had no desire to sink any more money in the corporation so he turned to the road's preferred stockholders. (The C. H. & D. owned only common stock in the Père Marquette.) Working with a Preferred Stockholders' Protective Committee, dominated by Boston investors, he developed a complicated scheme whereby the preferred stockholders were to purchase new bonds up to half the face value of their stock. This would produce more than the necessary $5,000,000 at absolutely no cost to Morgan. The bait offered the stockholders was the hope of dividends, which had not been paid for some time, and the deal was made especially at-

tractive by a provision that those who bought their quota of bonds could convert their stock to *cumulative* preferred. The deal was put through successfully in May, 1907, and the new money made it possible to end the receivership of the Père Marquette. Thus, Morgan was placed on the road toward the recovery of part of his investment in the C. H. & D. From Milan, where he was vacationing, he cabled Perkins his warm congratulations.[15]

The Père Marquette still faced a difficult period of recovery, and over the next few years Perkins worked to increase its efficiency. He dickered with the officials of other lines in an effort to get them to ship more of their Michigan business over its tracks. He made a special deal with the Pullman Company as a result of which Pullman rental fees were postponed for nearly two years in order to preserve the line's precarious cash balances. He had prominent Michigan businessmen placed on the board of directors, to bring valuable local knowledge to the road's aid, and to stimulate local interest and pride in the line. No detail was too small for his concern. He demanded and received from the Treasurer *daily* cash statements, and he was not above writing back at great length about minor errors that he discovered. He required that he be informed of every expenditure of more than $2,500 made by the road. One would think, from examining his Père Marquette correspondence, that this was his chief occupation in life, yet of course he was involved in many other matters.[16]

Early in 1909 he persuaded the Baltimore and Ohio Railroad to buy the C. H. & D. The B. & O. paid off all C. H. & D. cash obligations and assumed responsibility for its bonded indebtedness. Thus the line was taken out of the hands of the receiver. For the time being it was to continue as an independent company; its common stock (nearly all of it owned by Morgan) was put into a voting trust for seven years, with the understanding that after that time it would be impartially appraised and purchased by the B. & O. "You will remember when you left here B. & O. wanted us to agree that the highest price we could in any event receive for our stock would be its original cost to us without interest," Perkins wrote Morgan. "This condition has been entirely eliminated." Again at no further cost to Morgan, the line was given a new lease on life, and seven years to strengthen itself under Morgan

management before its value was determined. The usually uncommunicative Morgan, who was in southern France when Perkins cabled the news, was positively effusive in his reply: "YOUR CABLE ABOUT C H & D FILLS ME WITH AMAZEMENT. DID NOT REALLY BELIEVE ANYTHING WOULD COME OF THE NEGOTIATIONS. CONGRATULATE YOU MOST HEARTILY."

From Morgan, this was praise indeed.* During that spring and summer Perkins's reputation in the firm was undoubtedly at its peak,[18] and it is probably fair to say that he was the real leader of the business.

His success was only partly the result of the extraordinary combination of imagination, energy, flexibility, self-confidence, and easy friendliness that made him such a talented negotiator. He was also an extremely effective manager of money. Although the House of Morgan does not allow researchers to examine its archives, Perkins himself preserved records of many of his financial activities, and these throw light on his methods and document his consistent success as an investor.

Particularly useful are the papers relating to his management of two funds which he handled for a large number of his friends, relatives, and employees.† In one of these he invested the small savings entrusted to him by some of his servants, minor relatives, and others of modest means who wished a safe, steady income from their money. Perkins kept this fund entirely in the stocks of U. S. Steel and International Harvester. His management of it can be followed in his correspondence with any one of the participants, the simplest case being that of one of his servants, Selma Anderson.

Selma's investment began in 1905 with the purchase of two shares of Steel preferred and one of Steel common. In October, 1907, Perkins sold the preferred and bought seven shares of common with the proceeds. No change in the income from these securities was involved; Selma continued to receive dividends amounting to four dollars a year. In June, 1908, Perkins sold this common

* During the railroad rate hearings of 1913-14, the B. & O. was bitterly attacked by Louis D. Brandeis for agreeing to this transaction, but President Daniel Willard insisted that from the B. & O.'s point of view the purchase had been perfectly sound.[17]

† These papers are in three boxes labeled "New York Trust Company: Investment Account," in the Perkins papers.

and purchased Steel preferred again, Selma receiving three shares, paying $21 a year in dividends. Then, in August, he sold these at $110 and bought Harvester preferred at 100. Selma continued to receive dividends at the same rate, cleared $30.15 in cash, and by some necromancy obtained an extra dividend in the process. "It so happens," Perkins wrote her, "that the Harvester Preferred dividend is payable the same day as the Steel Preferred dividend, and as I have sold your steel stock after the coming dividend had accrued on it and bought the Harvester . . . in time to earn the coming dividend on that, you will receive, on August 31, a check for your Steel Preferred dividend . . . and also a check for your Harvester Preferred dividend."[19]

The actual purchases and sales involved in these profitable arrangements were somewhat more complicated than Selma realized. On October 3, 1907, Perkins had in this fund 663 shares of Steel preferred and 126 of Steel common. On that date he sold the preferred at 93.161, receiving $61,766.12. During the next ten days he purchased 2,320 shares of Steel common at an average price of 26.5. This, of course, was on the eve of the panic of 1907. Late in March, 1908, he sold all the Steel common (2,446 shares) at 35.5. In mid-April he bought 2,000 shares of Steel common at 33, which he sold again on May 7 at 36.25. Deducting brokers' commissions, he now had $92,171.46, which he converted into Steel preferred. Holding this only long enough to collect the August dividend, he traded it for Harvester preferred, which paid the same dividend but cost 10 per cent less. Thus, dealing only in prime securities paid for in hard cash during a time of generally declining values, Perkins turned a fund worth about $65,000 into one worth well over $100,000 in considerably less than a year.

The other private fund that Perkins managed is even more interesting to students of his life and of the House of Morgan. There are no details available as to how this fund was managed; actually Perkins simply gave its lucky members a share in the profits of his own investments and underwritings as a member of the firm. He never told anyone where the profits came from; participants turned their money over to him blindly, and he promised to invest it to the best of his ability and to "report at some future time" as to the results.

The beneficiaries of the fund were a mixed group. Some were people of modest means, like his secretary Mary Kihm, and his former Secretary Sarah F. Hunt. Others were relatives: his brother and sister, several of his Ball in-laws. And there were also men of considerable wealth in the group, such as Darwin P. Kingsley, Thomas A. Buckner, and some of his other old friends in the New York Life organization.

A "typical" member was the wife of his personal lobbyist and agent, William C. Beer. On April 1, 1903, Mrs. Beer turned $10,000 inherited from her father over to Perkins for investment. According to Perkins's records, here is what happened to this money:

On February 20, 1906, it had increased to $12,800.

On December 22, 1906, it had increased to $15,744.

At this point Mrs. Beer added $2,000 in new capital.

On July 10, 1908, it had increased to $22,091.

On April 28, 1909, it had increased to $26,067.

On September 15, 1909, it had increased to $33,670.

On December 22, 1909, it had increased to $37,373.

At this point Mrs. Beer increased her investment to $39,000.

On June 3, 1910, it had increased to $46,605.

On April 26, 1911, Mrs. Beer withdrew $2,500.

On June 15, 1911, the fund was worth $48,285.

It is interesting to read the letters of thanks sent to Perkins by people like Mrs. Beer. They are filled with words like magic, wizard, fairy godfather, Aladdin. "It's like magic to me, the way it grows," Mrs. Beer wrote happily after receiving word that her money had increased by nearly 20 per cent in nine months. A little later, she wrote: "I see my 'nest egg' expanding into 'capital' as if an enchanter were doing it, somehow, with a wand." Other delighted beneficiaries added comments like "Somebody pinch me! I must be asleep," and "You are certainly a wizard. . . . I only wish you were twins."[20]

Probably the tremendous growth of this fund between 1906 and 1911 is a rough measure of the profits earned by the House of Morgan in that period, although there is no way of knowing definitely so long as the Morgan books remain closed. But clearly it was also a measure of the financial acumen of Perkins, since the

fund continued to prosper after he left the firm. From the summer of 1911 until the outbreak of the war in Europe Perkins could find no profitable use for the money in his charge and kept it in a bank in the form of cash. "I have been at a loss what to do with this money," he told one of his participants. But when the market broke badly on the announcement of war he bought heavily in International Harvester common. By late the next spring he could show a 30 per cent profit. By December, 1915, an additional profit of 25 per cent had been earned, and there were other, if less spectacular, profits in later years.

Perkins freely assumed both the responsibility for managing these funds and the cost of the considerable paper work involved in sending notices (and checks) to the investors without any return other than the satisfaction of having helped the people involved. In some cases he did even more. Here the case of the Reverend William H. Jones is instructive. Jones was a Clevelander who had married Perkins's old flame, Maria Ford. They were raising a family of four children and trying to save enough money from his meager minister's salary to send them to college. In 1905 Jones sent Perkins $4,130 to invest. For a time he was able to allow this money to grow, but when the children began to go off to school and college, he had to make withdrawals. Year after year, the investment fluctuated in value, but the trend was downward. Each time Jones withdrew money Perkins had to send him a check, record the change in his investment, obtain and file a new receipt. The mass of the correspondence over the years was considerable. Furthermore, Perkins actually subsidized Jones to a considerable extent. On June 9, 1915, for example, Jones had $4,175 in the fund. On June 21 he withdrew $175. On September 7, 1915, he withdrew $800. Then, on December 8, Perkins liquidated the fund again. There was a 25 per cent profit. He credited Jones's account with $1,000, disregarding the reductions that had taken place since June. Perhaps it was simply too much trouble to figure the exact amount earned by Jones's investment. More likely, however, Perkins had in mind the use to which Jones was placing the money, and helping him along with a little extra. Jones, of course, had no way of knowing what Perkins had done. He had spent $975 for tuition and had $25 more than he had started with. But, by 1915,

he was growing accustomed to this "magic."

Managing these funds undoubtedly gave Perkins a great deal of satisfaction, and so did his larger activities as a partner in the House of Morgan. He was engaged in work that he could perform superlatively well, and that was, of course, extremely lucrative. Yet, little more than a year after his triumph with the C. H. & D. sale, he had decided to resign from the firm and sever nearly all his connections with the world of business and finance.

In 1947, while working on his biography of J. P. Morgan, Frederick Lewis Allen spent a weekend interviewing Thomas W. Lamont, who replaced Perkins in the Morgan firm. At one point Lamont was talking about Morgan's various partners, and this is what he said about Perkins, as Allen wrote it down in his notebook: "*Perkins* (hush) didn't leave of his own accord. M thought he had been a little second-rate on some deals." Lamont, however, was not a member of the firm until after Perkins left it, and he did not say what "deals" Perkins had handled in a "second-rate" manner.

It is also true that the newspapers carried many stories of conflict between Morgan and Perkins when the latter's retirement was announced. But these rumors were as varied and unrelated as the papers that printed them. One suggested that Perkins had engaged in a vast speculation to control the price of U. S. Steel stock, another that he was unpopular on Wall Street and that Morgan wished only popular men in his firm, another that he had been detected trying to steal control of the firm from Morgan. Still another claimed that he had backed a candidate for Governor of New York whom Morgan disliked, and another reported that Perkins had become incensed at Morgan's autocratic management of the firm. Clearly the reporters were guessing.[21]

This is not to say that there was no trouble between Perkins and Morgan, for, in fact, there was. It had never been Morgan's practice, in Perkins's time at least, to exercise close control over the day-to-day details of his firm's business. Except in crises, such as the panic of 1907, he was seldom in his office. ("The Senior seems to be in the pink of condition," Perkins wrote J. P. Morgan, Jr., in November, 1908. "We don't see very much of him. He comes down occasionally for an hour or two.")[22] As a result it became

increasingly possible, especially for a man of Perkins's quick enthusiasms, to make decisions that Morgan might later think *he* should have made. With the C. H. & D. sale, for example, Perkins felt justified in settling matters without Morgan's formal approval. In this case the arrangements were so satisfactory that Morgan chose to ignore Perkins's failure to consult him; in other cases that might not have been so.

There was a minor difficulty in June, 1909, in connection with the sale of some securities owned by U. S. Steel. Against a good deal of intracorporation opposition, Perkins unloaded about $20,000,000 worth of the bonds of the Lake Shore and Eastern Railroad by selling them to a broker named William S. Fanshawe, with whom he frequently did business. Fanshawe, however, had then associated himself with a partner who had in a previous matter brought suit against U. S. Steel. When Morgan, who was in Venice at the time, read newspaper accounts associating this man with a sale of bonds *by* U. S. Steel, he somehow got the idea that the bonds were a new issue of U. S. Steel's own securities, and he was horrified to think that a known enemy of the corporation should be allowed to do this. He began to cable his son in terms highly critical of Perkins. Perkins then wrote him a long letter explaining the transaction (which had worked out most profitably for the steel corporation). "The thing that hurts," he wrote Morgan, "is that you did not cable to me about it. It makes me feel that you were so provoked . . . that you felt you must take it up with someone else. The thing I prize above all else is your commendation. . . . To feel that I have displeased you to a point where you must go to someone else . . . makes me very unhappy indeed." Morgan discounted the whole incident in his answer, and he confessed that he had misunderstood the bond transaction, but the story illustrates the difficulty of working for a man who was seldom on hand to supervise affairs.[23]

A more serious dispute came up the next spring, and once again it was Morgan's remoteness from Wall Street that brought on the trouble. The firm had entered a deal involving the Studebaker Company. Before leaving for Europe on February 16, 1910, Morgan had evidently explained to Perkins how this matter should be handled. Lacking contemporary records of their conversation, it is

impossible to say who misunderstood whom, but in any case, Perkins went ahead with the negotiations and sometime in April made a decision that Morgan considered a violation of the orders he had given before leaving. Again Morgan did not complain directly to Perkins, and it was only through Harry Davison, a new partner, that Perkins learned of "the Senior's" displeasure. At once he dispatched a cable to Morgan in Paris. "AM ASTONISHED TO LEARN YOUR FEELINGS REGARDING STUDEBAKER BUSINESS. I CERTAINLY THOUGHT THAT LINES ALONG WHICH TRANSACTION WAS BEING CARRIED THROUGH WERE APPROVED BY YOU BEFORE YOU SAILED." This time the message did not mollify Morgan. Davison reported a little later that the old man was still feeling "very strongly about the whole thing." Perkins then wrote a letter to Morgan, displaying a little irritation of his own. "I . . . am still in a quandary as to what the matter is," he said. "Up to the moment that Davison spoke I was congratulating myself that I had that piece of business in unusually satisfactory shape. I have not written you on the subject because I have not known what to say; so I will say nothing until I can see you and find out just what your objections are." But one point he must make at once. Morgan, Davison indicated, believed that Perkins had deliberately disregarded one of his orders. "It cannot be possible that you fail to understand my motives and general course of business to such an extent as this," Perkins wrote. "All I can say is that I am trying very hard to hold the whole matter in abeyance in my mind, pending a talk with you."[24]

This dispute did not lead directly to Perkins's leaving the firm. It was but one of many matters at hand and not of vital importance. A few days later Perkins wrote to Morgan in the friendliest terms about some work he had done in connection with the Palisades Park, and Morgan cabled him a brief note of congratulations. But then in August another small conflict arose between them. While Morgan had been in Europe, the B. F. Goodrich Rubber Company had approached the firm for advice. This company, Perkins discovered, had been soundly and conservatively managed, and had been growing at a fantastic rate. It had no bonded indebtedness, no preferred stock, and only $10,000,000 of common stock, on which it was paying 10 per cent a year. In 1908 it had cleared $2,000,000, in 1909 $3,000,000, in 1910 $4,000,000.* Plants and

* In each case the figures are for fiscal years ending in June.

liquid assets were worth at least $15,000,000. Company officials, somewhat overwhelmed by this happy state of affairs, wished to rearrange their finances, and expand their operations still further. Perkins developed a plan whereby $10,000,000 of 7 per cent preferred stock would be issued, half going as a stock dividend to holders of the common, the other half being deposited in the company treasury for future sale. Morgan and Company was to act as fiscal agent for the Goodrich Corporation, and to assist in having the company's stock listed on the New York Exchange. In return, the house was to receive 10 per cent of the new preferred stock as a dividend, provided the holders of the common agreed. (This rather unusual arrangement was made necessary by legal complications, but the President of Goodrich assured Perkins that nearly all the shares in this closely held corporation would be voted in favor of the plan to pay this commission.) Morgan would assume no obligations, underwrite nothing, place no one on the Goodrich board. Should the Goodrich people later decide to use Morgan's services in selling the additional preferred stock, this would be considered "an entirely new piece of business to be taken up in the future."

For little work and no responsibility Morgan and Company was to receive half a million dollars and make a friendly contact with a vigorous and growing firm in an increasingly important industry. Yet Morgan turned the transaction down when Perkins told him about it. "BUSINESS SEEMS TO ME UNDESIRABLE ON TERMS YOU STATE," he cabled from Northeast Harbor, Maine. Then, petulantly revealing his hurt feelings, he added: "THINK UNFORTUNATE NOT MENTION TO ME WHEN AT HOME AND COULD DISCUSS IT AND PERHAPS MAKE SOME SUGGESTIONS WHICH WOULD HAVE REMOVED MY OBJECTIONS WHICH TOO LATE AT THE ELEVENTH HOUR."

Of course, Morgan could always exercise a veto over schemes devised by his partners, and in a sense his complaint about Perkins's handling of the Goodrich business was justified. Perkins probably could have discussed the deal with him earlier. But Morgan, it must be remembered, was taking a smaller part in business affairs every year. His European sojourn in 1910 lasted from mid-February to late June. Then, after only four days in New York, he steamed off on his yacht to New London. From there he went to Cambridge to accept an honorary degree from Harvard; next he

returned to New London for the boat races. Over the Fourth of July he was at his Cragston estate, and a little later at Newport, and finally at Northeast Harbor. In such a small matter, involving no real responsibility for the firm, Perkins obviously did not feel obligated to inform Morgan until the details were settled.[25]

Earlier in their association he probably would have done so. In 1910 he did not, partly because of Morgan's increasing age and remoteness, partly because of his self-confidence, which was always great and certainly did not decrease with his growing wealth, power, and prestige. In any case, these several conflicts revealed a growing rift between Morgan and Perkins. Each can be easily explained and each man's role understood and justified. The fact remains that in earlier years such disputes simply did not arise.

Nor were they mentioned when Perkins finally announced his withdrawal from the firm. He was leaving, Perkins said, in order to devote his time to "corporation work and work of a public nature." He hoped to push the profit-sharing concept, and to develop his ideas about the control of business along the lines expounded in his speech at Columbia. The resignation was effective December 31, 1910, almost exactly ten years after his entry into the firm.

It must not be assumed, because of the disputes that had developed with Morgan, that Perkins was distorting the truth in his public explanation. His letters to friends, as well as his subsequent actions, prove that he meant exactly what he said. Aside from land and personal property, he possessed more than $5,500,000 in securities, a fortune certainly great enough to supply all his needs. "I did not start out in life with the slightest intention of being enormously wealthy, and the more I have seen of the lives of men who have accumulated enormous fortunes the more I have questioned the wisdom of any such ambition," he wrote an old friend.[26]

Probably his reasoning went something like this: He had worked hard for years and made a lot of money. He was very interested in problems related to the growth of large corporations and believed that his experience fitted him to the task of helping to solve them. Morgan's increasing irascibility and distrust made work in the firm less pleasant than it had been, and changing economic conditions

lessened the opportunities for exciting new reorganizations. For years he had labored for others; now he wanted to be his own boss.

His interest in the development of the Palisades Park was also influential in his decision to retire. After his first burst of activity in the early days of the Commission he had devoted little time to its work; most of the labor of acquiring title to the 147 parcels of land that made up the area was performed by J. du Pratt White, Secretary of the Commission, who was an attorney. By 1907 this work had been largely accomplished and the future of the majestic cliffs assured, but at about this time the use of the park by campers, picnickers, and boating enthusiasts began to boom. The Commission found it necessary to buy a patrol boat and employ a policeman to supervise these vacationers.

With his typically rapid way of grasping the implications of changing situations, Perkins now realized that because of its strategic location on the edge of the metropolis, the park offered immense recreational possibilities. He proposed constructing a road along the base of the cliffs from Fort Lee to Nyack, so that "the Park . . . will be made accessible to the people of New Jersey and New York." When, in 1909, the widow of railroad magnate E. H. Harriman offered New York ten thousand acres and a million dollars to develop an expanded park in the region north of the Palisades, Perkins quickly devised a scheme to raise an additional million and a half from private sources on condition that the state match all the gifts. Governor Hughes gave the scheme his blessing while cruising up the Hudson with Perkins on a yacht during the ceremonies formally opening the Palisades Park, and by the end of the year Perkins had raised the money. Morgan and John D. Rockefeller contributed half a million each. The rest Perkins obtained, mostly in gifts of $50,000, from such friends and business associates as George F. Baker, Frank Munsey, Henry Phipps, James Stillman, and E. H. Gary. He also gave $50,000 himself. In May, 1910, the state legislature accepted the Harriman bequest and approved a $2,500,000 bond issue.[27]

Of course, his Morgan connection did not hamper Perkins's work on the Commission, but his increased interest in the park as a recreational area and the vast possibilities opened up by the Harri-

man gift added to his determination to devote all his time to public service. In any case, his resignation was definitely not forced, despite Lamont's comment years later to Allen. There is a great deal of contemporary evidence that he left the firm under friendly circumstances. He continued on excellent terms with Morgan as long as the great banker lived, and thereafter revered his memory. "How often I think of the dear Senior these days," he wrote in 1916. "I fancy if his life had been spared we might not be in quite such a mess as we are in." And a little later, when Belle de Costa Greene of the Morgan Library appealed to him for help in a cause she was interested in, he sent her a check for $1,000, saying: "I am mighty glad you came to me. . . . Anybody who was so close to our dear senior in the great struggles we all went through together can always command me."[28]

Although he remained on the Steel and Harvester boards, and continued to manage the Père Marquette, Perkins's primary preoccupation with business ended with the year 1910.

PART III

THE REFORMER

CHAPTER XIII

DEATH OF A REPUBLICAN

PERKINS attacked his new role as crusader for industrial co-operation with the same energy that he had devoted to his other activities. He accepted opportunities to speak all over the country. He carried his message to the commencement exercises of a mechanic's institute in Rochester, the dedication of a Presbyterian church in Cleveland, the West Side Y.M.C.A. in New York, and the People's Institute in Jersey City, as well as to the usual commercial clubs and chambers of commerce.

His years in the insurance business had made him a glib and persuasive talker. But he was not a very effective orator when he undertook this new campaign. He was so concerned over the importance of making his points clearly, and with not being misunderstood or misquoted, that he wrote out his speeches in advance, and read them to his listeners. His daughter Dorothy, then a teen-ager, remembers how hard he worked drafting these talks, and how bored she was at having to listen while he practiced his delivery before the family. He felt deeply at this time his lack of formal education. Mary Kihm usually managed to straighten out his grammar, but his efforts were scarcely models of lucid argument or brilliant organization. Sometimes he assumed a more informed audience than he ought reasonably to have expected. At times he began with a great burst of ideas and then let his talk dwindle away to nothing, as at Youngstown, Ohio, when he closed an appeal for a federal commission to draw up a program of industrial reform by saying weakly: "This commission . . . should be representative of all sections of the country and of all interests, because the question affects us all."[1]

But he made up in earnestness and persistence for his oratorical

and rhetorical limitations. In addition to dozens of speeches he wrote articles for such varied publications as *Collier's*, *World's Work*, *Leslie's Magazine*, the *Saturday Evening Post*, *The Churchman*, and the *Mississippi Valley Lumberman*.

No doubt some found his manner brash and his approach naïve, but by the summer of 1911 he was making a real impression upon his contemporaries. Senator Albert B. Cummins of Iowa, a convinced supporter of the Sherman Act, called him "the best exponent of regulated combination in the country." A cartoonist for Hearst's New York *American*, picturing Perkins in a tiny rowboat offering a tow to Uncle Sam and a huge Ship of State, softened his criticism with the caption: " 'ASSISTANCE'—And yet His Heart May Be in the Right Place."[2]

In his many speeches and articles after his retirement, Perkins failed to develop his message very much beyond the point attained in his speech at Columbia in 1908: to wit, in the modern world competition no longer served a useful purpose; instead of competing, businessmen should co-operate with one another under the watchful eye of the national government.

This kind of co-operation was essentially selfish, however. After leaving Morgan, Perkins began to place more stress on some of the implications of "co-operation" for society. A basic moral question was involved, he now saw. The motto of the modern manufacturer must be: "Right is Might," he insisted in a talk before the alumni association of the Massachusetts Institute of Technology. The old standard, "Might is Right," must go. However, if society is to live by the standard of Right it must raise its whole moral tone. If the average citizen is not high-minded, generous, and fair, his judgment on moral questions cannot be trusted. The nation must make a great effort at self-improvement, and the way to institutionalize this effort is through improving the educational system. To do so, he admitted, might very well produce further changes in the established order of things. "You cannot spend a million dollars on the education of one generation without having a million questions raised by the next generation." For example, the present distribution of profits between capital and labor might be called into question. This suggestion led naturally to a discussion of his ideas on profit sharing, which he stressed in his campaign along with his

basic plan for government regulation of corporations.

The emphasis that Perkins placed on personal morality led him to criticize the way the Sherman Act was enforced as well as the whole philosophy on which it was based. "It is high time that we abandon the false notion that corporations do things," he said in a speech before the Commercial Club of Cincinnati. "A corporation is an inanimate object; it can do nothing." When those individuals who control corporations violate laws, *they,* not the corporations, should pay the penalty. To dismantle an efficient industrial organization simply because its managers had behaved in an antisocial manner seemed to him absurd.[3]

At most these were minor developments in his thinking. His chief contentions—that bigness made for efficiency and was required by the changes in human life resulting from the industrial and scientific revolutions, that co-operation was both right and practicable, and that business ought to be controlled by the federal government—did not alter as he traveled about on his crusade. But change was in the air in 1911 and could not be ignored; events inevitably affected his tactics if not his strategic objectives. On May 15 the Supreme Court handed down its decision in a case under the Sherman Act involving the Standard Oil Company. The Court ordered the corporation dissolved, but in doing so it sanctioned the "rule of reason." A monopoly was illegal if it existed, like Standard Oil, as a result of "an undue restraint" on trade, the Court said. But the framers of the Sherman Act did not intend to take away from any corporation "the right to make and enforce contracts . . . which did not unduly restrain interstate or foreign commerce."[4] Monopoly, in other words, was not a crime unless it developed out of actions that were in themselves illegal.

Naturally this decision made it easier for large corporations to conduct their affairs, since prior to the "rule of reason" it had been almost impossible to be sure that *any* contract entered into in good faith would not be considered a restraint on trade under the terms of the Sherman Act.

Then, during the summer and fall, further developments occurred that were destined to alienate Perkins completely from the Taft administration and lead eventually to his breaking with the Republican party. Taft was preparing to attack both the United

States Steel Corporation and International Harvester under the Sherman Act. To Perkins, these two giant corporations were the best illustrations of the virtues of bigness operating efficiently and honestly in the public interest. Their destruction, he believed, would be a national calamity.

The threat of antitrust action had been hanging over both corporations since the days of the Roosevelt administration. The Bureau of Corporations commenced an investigation of the steel company in 1905, and in December, 1906, undertook a similar study of International Harvester. The official attitude of both corporations, which was shaped chiefly by Perkins and Judge Gary, was to co-operate with the Bureau and to seek "understandings" with the Executive in order to avoid action by the Justice Department under the Sherman Act. After the announcement of the steel investigation, Gary arranged a conference with Roosevelt at which he promised to provide the investigators with information and with access to the corporation's books in return for the government's pledge to keep confidential the information thus obtained. In January, 1907, after the announcement of the Harvester investigation, Perkins, Cyrus H. McCormick, Charles Deering, and Gary met with Bureau officials and worked out a similar agreement.[5]

Harvester officials were actually eager to be investigated. Cyrus and Harold McCormick went to Washington on April 1, 1907, to urge Deputy Commissioner Herbert Knox Smith of the Bureau of Corporations to press ahead with his study. Their company was being hounded by various state investigations that were "in most cases activated by personal graft," they claimed. Feeling sure that a fair investigation would find them blameless, they "invited the closest scrutiny of their methods of doing business," and that as quickly as possible. Since there was no watered stock in their company and since profits following the merger had been very low, they anticipated a clean bill of health from the Bureau and believed that it would be their best defense against attacks by the states.

Throughout the Roosevelt years the Bureau continued sporadically to pry into the affairs of the steel and harvester companies. During the summer of 1908, for example, Ben F. Wright, Assistant Commissioner of Corporations, made a careful study of the International Harvester books. Perkins instructed Harvester officials

to give Wright all the information he asked for, and this was done. The U. S. Steel records were also made available to Bureau investigators. No suits were instituted under Roosevelt, partly because of Roosevelt's belief that both these corporations were "good trusts," and partly because the amount of time necessary to push a thorough examination to its conclusion was so great that neither of these investigations was completed until after Roosevelt left the White House.[6]

But by 1911 the situation had changed. Taft was exhibiting a much tougher attitude toward the large corporations than Roosevelt had ever shown. On July 1, 1911, Herbert Knox Smith, now head of the Bureau of Coroprations, submitted a report on the Steel Company to President Taft. Three weeks later, Perkins wrote Gary, who was vacationing in Europe: "I have been considerably disturbed . . . by fresh information, which seems fairly reliable, to the effect that the Government is going to begin a civil suit very soon for the dissolution of the corporation. . . . There is no longer any doubt that the Department of Justice is drawing a bill against the Harvester Company." Clearly a storm was brewing. Furthermore, a Congressional committee under Augustus O. Stanley of Kentucky was beginning a broad investigation of the steel business.

Perkins was deeply offended by the tone and manner adopted by the Stanley Committee, and he developed an instant dislike for Chairman Stanley himself. When the committee ordered its accountant to make an investigation in order to find out what records the corporation had refused to turn over for study, Perkins complained to Henry C. Frick: "This . . . shows how the wind is blowing! . . . We have refused *nothing* up to date." A few days later he wrote Gary: "I am not at all sure but that we would be better off to have the thing . . . actually in the hands of the Court than to be under the pestering inquiry of such a semi-legal body." It was reported to Perkins that Stanley had said: "If Perkins was a little more friendly and would sit down and have a drink with us in private, everything would go better." Such a remark, perfectly natural to a Kentucky Congressman, irked Perkins. Not only was he a teetotaler, but he objected strongly to mixing business and pleasure, and he made it clear that he considered Stanley's behavior to be in poor taste. When he was called himself to testify before

the committee he concluded that he would be subjected to a hostile and prejudiced grilling. "I knew the Stanley Committee had spared no pains in getting ready to set things up against me," he told Beveridge afterward, "and I made up my mind that I had better start the fight."[7]

On August 7, the day he began his testimony before the committee, Perkins had been scheduled to speak at the Michigan College of Mines in Houghton, Michigan. Despite and urgent request by President Fred W. McNair, Stanley refused to postpone Perkins's appearance. Nevertheless, his speech was read to the audience by President McNair and reported widely in the newspapers. For the first time, in this speech he began to criticize Congress directly for not having modified the Sherman Act. "Congress," he said, "had steadily called for the destruction of our great enterprises," in spite of both the advice of recent Presidents and the rule of reason decision of the Supreme Court. Why? The cause could be found in the poor quality "of the men we have sent to our National Congress." After the Civil War the best minds in the country devoted their efforts to business, he went on. "Politics, local and national, were turned over to others." After long years of this condition "our business world [is] full of master minds and our political world full of politicians." The Supreme Court had pointed the way for change by suggesting that reason be applied to the question of corporate growth. There ought to be a Congressional investigation, Perkins said, but it should take a constructive rather than a destructive approach. Do the "trusts" cause higher or lower prices? Have wages in trust-dominated industries gone up or down? Have there been more or fewer business failures? On the basis of the answers to such questions, a sensible policy toward big business could be developed, he claimed.[8]

Having ignited this blast from a distance, Perkins proceeded to deal with the Stanley Committee close up. Already the committee had heard from several important witnesses. On August 4 Charles Schwab had told the story of the birth of U. S. Steel; on the fifth Theodore Roosevelt had explained his part in the purchase of the Tennessee Coal and Iron Company during the panic of 1907; public interest in the hearings was great and the daily papers made the testimony front-page news. On August 7, Perkins, clad in a

light gray summer suit, arrived at the appointed time, but the committee kept him waiting for nearly an hour. He fidgeted through the interval in a big easy chair, shifting restlessly from side to side while he twisted a rubber band about his fingers. When the committee filed into the room at last, he moved immediately to the witness table. Within ten minutes he and Chairman Stanley were at one another, their voices ringing, interrupting each other almost constantly.

But it proved hard for Perkins to voice his opinion of the Sherman Act. Much of the first day's questioning dealt with the details of the Tennessee Coal and Iron merger, and Perkins vigorously defended that transaction. Then Stanley dug into the question of campaign contributions and similar expeditures by U. S. Steel, which, he implied, were violations of federal law. There was a good deal of squabbling over several minor outlays, such as a contribution of $2,000 made in 1902 to the American Protective Tariff League. Although not challenging the correctness of Stanley's statements, which were drawn from the minutes of the U. S. Steel Finance Committee, Perkins answered questions about these matters by saying that he could not remember them at all. Stanley grew progressively more irritated and there were a number of sharp exchanges. "Do you not know, without looking at these books, Mr. Perkins, that every year you contributed two or three thousand dollars to the Protective Tariff League?"

"Mr. Chairman," Perkins replied icily, "a man occupied with all the different questions of business that I have had could not possibly get anywhere if he charged his memory with details. What you read to me from the minutes I am quite ready to accept as a fact."

"This is not a detail. This is a policy," Stanley snapped. But he could not get Perkins to add anything in this connection to the bare record of the Finance Committee minutes. Later in the day, the questioning turned to Perkins's personal political contributions, but when both the U. S. Steel lawyer and his own attorney urged him not to discuss these, Perkins refused to do so, even after Stanley threatened to cite him for contempt. Finally the committee adjourned in order to consider whether to press charges against him before the House of Representatives.

Perkins, relying on the confident opinions of his lawyers, was not disturbed. The newspapers played up the possibility that he would soon be in jail, but he went for an automobile ride, and then had a good dinner and a comfortable night's rest. When he returned to the committee room next day it was at once apparent that the committee had decided not to force the issue. Stanley announced that he still believed Perkins to be in contempt, but another member took up the interrogation. He asked Perkins if he had ever been reimbursed by U. S. Steel for contributions he had made personally to political campaigns, and when Perkins answered this in the negative the Congressman switched to another line of inquiry. As the New York *Tribune* reported: "The Committee's threat vanished into thin air."[9]

Perkins was on the stand for four days, and he finally got an opportunity to speak his piece about the modern corporation. Congressman Charles Bartlett of Georgia referred to his speech at the Michigan College of Mines and asked him to explain how his views differed from those of Judge Gary, who had suggested government price fixing as a solution to the problem of monopoly in industry. Perkins said that he did not think so extreme a solution was required, and then he lashed out at the Sherman Act. "I do not believe it is possible for this country in the twentieth century to . . . maintain its commercial supremacy under a technical enforcement of the Sherman law," he said. He even defended the Standard Oil Company, so recently dissolved. When Bartlett interrupted him to point out that Standard Oil had been punished for clear violations of law, Perkins brushed him aside. "That is all technical," he said, rising from the witness chair and speaking with great enthusiasm. "The Standard Oil Company has been gathered together after long years of effort, and it is one huge organization, doing business all over the world. The United States government has spent years and thousands of dollars of the people's money trying to find out all about that company. . . . In place of trying to find out what good that company has done . . . and whether they have been, in all respects, a good concern for the public, they break it up into thirty-three different parts. . . ." There ought to be a Congressional inquiry into all aspects of corporate affairs, good and bad, he said. "I am keenly alive to the faults of corpora-

tions and the mistakes they have made, but I am also equally alive in the belief that they have rendered good in some instances. Can not the Congress . . . find out what that good is and find some way to preserve it to the people?" A simple suggestion, he added, would be to pass a bill on the lines of the proposal made by the National Civic Federation back in 1908. If corporations could register with the national government, open their records to the public, and thus win public confidence, nearly all would do so. "The limelight I firmly think would eradicate many of our troubles." Implicit in everything he said was the idea that changing times made the restrictive practices of the past obsolete. The old robber baron of the eighties and nineties was no more. The new generation of "managers of the people's money" realized and accepted its responsibilities. "Within . . . regulation and control, the coming businessman of this country ought to have a free hand. Try that. If you find them a pack of scoundrels and incompetents who can not get on in this way, [then] fix the prices for them."[10]

Perkins's testimony attracted much attention and editorial comment, and so did his address at the Michigan College of Mines. He himself distributed over twenty thousand copies of the speech in pamphlet form, and received hundreds of letters about it. As public interest in his point of view mounted he became increasingly devoted to his task. "I am losing interest in all other matters," he wrote John Bigelow late in August. He determined to cut off still more of his business associations. To Senator Cummins of Iowa he wrote that the "business tangle" was "a moral question [more] than a commercial one," a clear indication of the importance the "tangle" had assumed in his mind. This hardening of his opinion and the generally favorable tone of his mail and of the press led him to even more outspoken attacks. Speaking to the Detroit Board of Commerce on October 4, he centered his criticism on the *Republicans* in Congress, charging them with failure to make good the promise of the 1908 party platform to amend the Sherman Act by bringing interstate corporations directly under federal control. Failure to fulfill this pledge, he implied, accounted for the voters' repudiation of the Republican party in the 1910 elections.[11]

Meanwhile rumors of an impending antitrust suit against U. S. Steel continued to circulate. Its stock fell off fifteen points within

a few days in late September, then rallied when J. P. Morgan himself announced that the corporation would fight any effort to break it up under the Sherman Act. Morgan's decision surprised Attorney General Wickersham, who had expected the corporation to offer a "disintegration plan" similar to that laid down by the Court in the Standard Oil case, but it left him no alternative except to proceed with a suit. On October 26 a petition in equity was filed against U. S. Steel in New Jersey.

This suit pushed Perkins a long step closer to open rebellion against the Taft administration. Not only did it attack the corporation closest to his heart, it also based its charges in part upon U. S. Steel's absorption of the Tennessee Coal and Iron Company in 1907. "A desire to stop the panic was not the sole moving cause," the government bill stated. The wish to absorb "a company that had recently assumed a position of potential competition" had also motivated the corporation. Perkins, whose understanding of those hectic days and nights of panic was far different, was deeply offended.[12]

Furthermore, the suit seemed totally unnecessary to him. Along with Gary, he had always insisted that great corporations like U. S. Steel and International Harvester be law-abiding. Let the government merely indicate any illegal action and it would be corrected—willingly and at once. Their informal agreements with Roosevelt and the Bureau of Corporations seemingly had committed the government to this approach. Speaking to the Steel Finance Committee in 1906, Gary had said, in commenting on the Bureau of Corporations' investigation: "We are trying to be frank and accommodating . . . and we suppose we have an understanding that we will not be unnecessarily injured and that we will not be wrongfully charged without an opportunity to show the facts. . . . Quite likely in some respects we may be traveling very close to the line between propriety and impropriety. . . . We propose to get right and keep right." And Perkins made essentially the same point as early as 1907 in a conversation with Theodore Roosevelt regarding International Harvester. Yet now Taft was plunging ahead with court actions instead of telling the corporations what they must do to keep within the law.[13]

Indirectly the suit affected Perkins in another way. If the govern-

ment's interpretation of the T. C. & I. merger made him angry, it infuriated Theodore Roosevelt, for it made him appear as either the abettor of a monopoly or—far worse—a fool who had been duped by clever industrial tycoons. "The petition," one New York newspaper innocently reported, "seeks to justify the position taken by ex-President Roosevelt upon the ground [that] when E. H. Gary and H. C. Frick called upon him in Washington they misled him as to the true situation." Roosevelt wanted no part of any such justification. In a confidential letter he accused Taft of "playing small, mean and foolish politics." Shortly thereafter in a magazine article he defended his actions vigorously and at the same time attacked what he called the "chaotic" policy of the Taft administration toward business. Industrial combinations were inevitable, he argued. They should be regulated by the federal government, not destroyed. Such language was gratifying to Perkins; it drew him ever closer to Roosevelt's side politically.[14]

But Perkins made a last attempt to influence Taft. Though the President had come out for a federal incorporation law, his faith in the effectiveness of the Sherman Act as a weapon against monopoly remained. He also believed wholeheartedly in the philosophy of competition. "We must get back to competition," he said in October, 1911. "If it is impossible, then let us go to socialism, for there is no way between." Of course, Perkins was convinced that there was a "way between." He sent Taft copies of several of his speeches, and arranged an interview for November 25. They had a pleasant enough discussion, Perkins urging a four-point program upon the President. Congress should put "business problems" first on its agenda. The Sherman Act should be used to punish flagrant examples of restraint of trade, and should do so by throwing violators in jail, not by fining them. A commission should be established to license all interstate corporations and collect and give publicity to information about their organizational structures and business methods. A government license, serving as a sort of "hallmark," would be immensely valuable to any corporation. Taft should ask Congress to make a study of the relation of business and government; meanwhile, "no further steps, of a nature disturbing business, should be taken by the Federal Government, except in cases that are clearly flagrant."

At about the same time Perkins gave a long interview to a reporter from the New York *World,* a paper usually critical of him and his ideas, in which he described the plan presented to Taft in more elaborate terms. The *World* disagreed editorially with Perkins's line of argument, but it devoted a full page of its Sunday edition to his remarks, and reported them fairly and respectfully.[15]

It soon became obvious to Perkins that Taft was not going to follow his suggestions. Furthermore, Roosevelt, his blood heated by the criticisms of his actions during the panic and by the scent of battle, became daily more receptive to the urging of friends who wanted him to seek the Republican presidential nomination. Perkins quickly associated himself with this group. As early as January 13, 1912, the New York *Sun* reported rumors that he was going to provide the funds for the Roosevelt campaign. Two weeks later the papers had developed this line to such a point that Roosevelt, still officially adamant against running for the presidency, told Perkins he was "amused" at the "screeches" of the opposition press which had played up Perkins's Morgan connections in order to discredit his support of Roosevelt. By late February, when Roosevelt announced dramatically: "My hat is in the ring!" Perkins had committed himself fully to the battle.

Perkins's interest in Roosevelt's candidacy was by no means remarkable. They were not yet intimate friends, but ever since the fight over the Limitation Bill, Perkins had been one of T.R.'s admirers. More to the point, Taft's antitrust activities were very upsetting to Perkins and to many other businessmen. One Kansas publisher, campaigning in Massachusetts in 1911, reported to Taft that "the 'big business' men" there were "angry and alarmed and discouraged," particularly by the fact that the government did not seem able to tell them what was wrong with their business practices, thus making it impossible for them to bring these practices in line with the law. Roosevelt's interest in national regulation of big business, on the other hand, had never been particularly terrifying to the tycoons. In January, 1912, for example, T. E. Powers, Hearst's clever cartoonist, portrayed Roosevelt as a buxom beauty sauntering past the "Wall Street Club" as Morgan, Rockefeller, Perkins, Carnegie, Gary, Frick, and Stillman, ogled "her" appreciatively from the windows, uttering such *bons mots* as "Peach,"

"Beaut," "Pippin," and "Oh you kid."[16]

However, when he announced his decision to run, Roosevelt made a speech at Columbus, Ohio, which alienated a large segment of business. Although generally moderate in tone, it contained a demand for laws permitting the recall of the decisions of state courts. This idea horrified conservatives, who feared that recall would destroy the independence of the courts, and it seemed particularly dangerous to businessmen, who had long found in the judiciary a shield against state social and economic legislation. To most businessmen, Taft's antitrust policy was a petty annoyance when compared to the specter of judicial recall.*

But Perkins found nothing particularly disturbing in Roosevelt's position. Perhaps the fact that he had few philosophical or intellectual pretensions helps explain his calm. Such concepts as the doctrine of the separation of powers meant little to him, while the democratic aspects of recall appealed to his uncomplicated political faith in the morality of anything that made the voice of the people more effective in government. Roosevelt, a superb leader, heightened Perkins's already great enthusiasm for reform; he was also completely sound, so far as Perkins was concerned, on the trust question. "Many of my friends are distressed that I am supporting Mr. Roosevelt," Perkins wrote in March to his old New York Life colleague, Alex G. Hawes. "But Mr. Roosevelt's candidacy I look on as only an incident of a great development." He realized that Roosevelt's chances of winning the nomination were slight, what with the enormous power wielded by Taft through White House patronage and the party machinery. From the start, he told Hawes, he had known that the road he was following was "a rocky road with lots of bumps in it," and that success could only come occasionally and imperfectly. But he was nonetheless willing to join in the battle with his time and organizing ability, and with his money. "The idea of Federal control of large com-

* The fact that the stock of the various Standard Oil Companies soared after the dissolution of the oil trust also eased the fears of many businessmen. In November, 1911, Andrew Carnegie wrote that Standard Oil and the American Tobacco Company, which had also been broken up under the Sherman Act, were "laughing at the government." Even Perkins admitted in March, 1912, that "the dissolution of the Standard Oil and Tobacco Companies was a great farce."[17]

panies, the idea that Roosevelt stands for before the people as to a square deal, and the giving to the people a more direct hand in the affairs of Government comes nearer to my ideas of things and I believe comes very much nearer the people's ideas," he said.[18]

Along with William Flinn of Pittsburgh, Dan R. Hanna, and, most prominently, the publisher Frank Munsey (a quixotic character, basically very conservative, who backed Roosevelt simply because he admired him as a person), Perkins supplied the Roosevelt preconvention campaign with most of its funds. Late in February, Senator Joseph Dixon of Montana agreed to manage the drive if $100,000 could be raised to set up an organization. On March 6 Perkins, Dixon, and Munsey conferred at Perkins's New York apartment to work out the necessary arrangements. Already a Roosevelt headquarters had been established in the Munsey Building. Now it took on a new life. Carpenters appeared and set the place ringing with the sound of pounding hammers. Temporary partitions and railings were put up, furniture moved in; soon some fifty typists were busily at work.*

In the New York City primary alone, Perkins spent $15,000. Between the end of February and the opening of the national convention in June he contributed altogether $123,000.

The campaign moved forward spasmodically, however, for there was "almost constant personal warfare" within the Roosevelt ranks. Many of the more ardent reformers—Munsey called them "moonbeams"—resented the influence of businessmen like Munsey and Perkins, whom they believed to be political liabilities. But Roosevelt paid little heed to these complainers. Indeed, he could ill afford to heed them, since without his financial backers he could not have carried on the fight for the nomination.[20]

Although he contributed heavily, Perkins did not at first play a very active role in the Roosevelt drive. He continued to make speeches and to write articles about industrial reform, but he said little about Roosevelt. Even in a speech he delivered at Baltimore entitled: "Why I Am for Roosevelt," he confined himself almost

* To a reporter who commented on the large number of redheads among the girls, Senator Dixon said that this indicated the generally vivacious and aggressive mood of the Roosevelt organization.[19]

entirely to attacking the Sherman Act, mentioning Roosevelt only incidentally.

All this was changed late in April when Taft announced an antitrust suit against International Harvester. The day before doing so, he released papers revealing that in 1907, yielding to pressure from Perkins, Roosevelt had stopped a possible suit against the Harvester Company under the Sherman Act. Taft demonstrated that in August of that year Perkins had called on Roosevelt and asked him to withhold judgment on the company until the investigation by the Bureau of Corporations had been completed. This was a reasonable request in itself, and so was Roosevelt's decision to honor it. Shortly thereafter, Commissioner Herbert Knox Smith of the Bureau met with Perkins, who repeated his often expressed belief that the corporation was not breaking any law. Perkins complained of "being laughed at" by the Standard Oil people, "who were saying that he had tried to be good and keep solid with the Administration, but that now he was going to get the same dose" they had received. An antitrust suit would cost the corporation a great deal and would unsettle business, leading to unemployment and further financial loss, Perkins added. If the government were to employ the Sherman Act against International Harvester in "a purely technical case" where no specific conspiracy to restrain trade was charged, Harvester would fight the suit with every resource at its command.

In September Smith reported on his investigation to President Roosevelt, indicating that he could find no "moral ground" for prosecuting the company. "So far as I have knowledge of the facts set forth by Mr. Perkins, I believe them to be true," he said. Smith also warned the President that it would be politically foolhardy to tangle with the Morgan interests over a case in which, as he put it, no "substantial" wrong was being committed. To do so would make enemies of powerful men who "up to this time have supported the advanced policy of the administration."[21]

This advice was sensible enough, but it caused a political furor when published in 1912. Roosevelt's enemies naturally charged that he had quashed a possible Harvester suit in order to placate the House of Morgan.

The affair actually had little substance since further investiga-

tions of International Harvester had soon been resumed. Taft's 1912 statement was significant chiefly as the beginning of an increasingly harsh attack on Roosevelt, which the latter met by replying in kind. It also brought Perkins more actively into the fight, for it made him and his business connections even more politically controversial than they had been. On April 29 he released a letter to William B. McKinley, Taft's campaign manager. In temperate but convincing language he defended his position. The supporters of Taft were making much of the fact that he, a "corporation man," was helping Roosevelt, Perkins pointed out. Yet they had not objected to his large contributions to the Republicans in the 1909 New York mayoralty campaign, or to his monetary support of Republican Henry L. Stimson, a member of Taft's Cabinet, in Stimson's battle for the governorship of New York in 1910. Indeed, and this was most startling, Perkins announced that he hac lent the Republican National Committee $15,000 after Taft's own election in 1908 in order to enable it to clean up its bills, and that this sum had not yet been repaid.* If it was proper for him to help Taft when he was connected not only with the Steel and Harvester companies but also with the House of Morgan, the National City Bank, and other powerful financial groups, why, he asked, was it wrong for him to help Roosevelt in 1912?[23]

This rebuttal did not quiet the Taft men, who made Perkins a prime target throughout the remainder of the preconvention cam-

* The history of this loan is worth recording in some detail. First of all, it was clearly a loan, and not a gift. It was made on January 13, 1909, in the form of a demand note bearing 6 per cent interest, and was signed by George R. Sheldon, a banker who was Treasurer of the Republican National Committee. After speaking to Sheldon about repayment on several occasions, Perkins wrote to him in January, 1911, long before breaking with the party: "I feel that this advance has run long enough and that it ought to be settled up." Sheldon put him off, and on June 27, 1911, Perkins wrote curtly: "My dear Sheldon:—Well? Sincerely yours." But again Sheldon merely expressed the hope that soon he would be "in a position to square up."

Perkins did not press the matter further, aside from giving it publicity through his letter to McKinley. Finally, early in September, 1912, Sheldon telephoned that he was ready to settle the debt. But there was a further squabble about interest payments. In October, Perkins wrote Sheldon: "I have waited as long as I am going to wait . . . and shall now proceed to take the necessary steps to collect it." At last, on October 7, after Perkins had turned the note over to the Astor Trust Company for collection, the $15,000 was returned, together with $3,275 in interest.[22]

paign. But there were no more surprising revelations, and Taft was not able to establish anything specifically damaging to Perkins or Roosevelt.

In the struggle for convention delegates, Roosevelt was usually triumphant where there were primary elections. But in states without primaries Taft predominated because of his control of the party machinery. It became clear that the balance would be finely drawn, and that the fate of both men hung on the disposition of some 250 contested seats. Roosevelt needed no more than sixty or seventy of these to win, but with rival claims being considered by the Taft-dominated National Committee his chances of obtaining that many were slim.

Hopeful right up to the last, Perkins was in Chicago, the convention city, on June 7 when the National Committee began to settle the disputed cases. Despite the arbitrary way in which most of the Roosevelt claims were dismissed, he pleaded with his chief for more "consideration" in treating the committeemen. Many of the Roosevelt claimants had no case at all, Perkins pointed out correctly. It was very damaging to make a partisan argument for such men, and to do so must only irritate those honest Taft supporters on the committee who might give Roosevelt the benefit of the doubt in really debatable cases.

His advice was not followed, but probably it did not really matter for the Taft forces had no intention of deciding the disputes fairly. The committee "steam roller" lumbered inexorably ahead, seldom even bothering to consider the evidence. Of the many contests, only a handful were decided in favor of Roosevelt. The claims of the Roosevelt delegates were especially strong in Washington and Texas, but on June 15 the committee added forty vital votes to the Taft roster from these states. This sealed the Rough Rider's fate; until June 15 Roosevelt men still professed to believe that the nomination remained in doubt, but it then became clear, as Perkins put it, that "the whole proceeding from beginning to end was thoroughly typical of machine politics" and that it had been conducted "with an utter disregard of public opinion as expressed prior to the Convention in all the Republican States where primaries were held."[24] Barring some emotional binge that might produce a

stampede for Roosevelt on the convention floor, Taft's nomination was secure well before the delegates convened on June 18.

But hope persisted, especially in the breast of an incurable optimist like George Perkins. Every moment was occupied as he rushed from one conference or "secret" meeting to another, buttonholing delegates, issuing statements, conferring with fellow "lieutenants" like Governor Hadley of Missouri, Boss William Flinn of Pennsylvania, Senator Dixon, Gifford and Amos Pinchot, and a dozen others. The excitement of the fight transformed him. "George W. Perkins," the New York *Herald* reported, "is all wrought up over the situation here. From one of the mildest spoken men who ever ordered a reporter off his front stoop he has changed to a seething volcano of burning words. He has been in eruption most of the time since his arrival."

He paid a large share of the Roosevelt convention expenses, which, his secretary told Amos Pinchot, amounted to $50,000. Perhaps they were not quite that high, but what with torchlight processions, hotel bills, and the like, they were considerably more than they needed to be. Perkins was inexperienced in this area. Early in the proceedings a reporter named George Henry Payne suggested hiring a band to meet the New York delegation at the station and marching before it to the Congress Hotel. The idea of parading a Roosevelt band before the large New York delegation, which was almost solidly for Taft, seemed like a clever coup, and Perkins agreed to foot the bill. But Payne was so pleased with his trick that, without consulting anyone, he kept on hiring bands all through the convention, telling the leaders to go to Perkins for their money. The final reckoning, for bands alone, presented after the big show was over, came to more than $10,000.

Perkins was outraged, and refused to honor the bill. However, the powerful and politically influential musicians' union could not be brushed aside and in the end Perkins paid up. But at the next convention that he financed he kept a tight rein on costs. Tickets to the meetings were sold rather than given away, and the total expense was only $19,000.[25]

Probably Perkins's money was also used to tempt Southern Negro delegates pledged to Taft. The *World* charged that his colored chauffeur was working on "Southern delegates," and a

New York *Telegram* cartoonist portrayed Perkins and Roosevelt "feeding the blackbirds" from hats full of currency.* One morning Amos Pinchot entered Roosevelt headquarters at the Congress to find Perkins on the telephone. The conversation was long but one-sided, for the speaker on the other end of the line was doing all the talking. "Perkins became agitated, and then more agitated, and a look first of incredulity, then of disgust, and finally of consternation, came over his face," Pinchot recorded years later. "As soon as he began to answer the meaning of the scene became inescapably clear. The body of Negro delegates, whose loyalty to the Colonel had been won in the usual manner, had taken advantage of the critical situation . . . to raise their figures and demand a payment on account. They loved Massa Roosevelt, but they loved Massa Taft too." Perkins denounced the speaker with what Pinchot called "creditable vigor," but did not close the door to further payments. When he hung up he confided angrily to Pinchot that "politics being what they were, there was perhaps nothing to do but play the game under the rules laid down by our adversaries." As it turned out, either money was not enough or there was not enough money; the Negro delegates went for Taft.[26]

The last hope of preserving Republican unity disappeared on June 19, when the Roosevelt forces challenged the decisions of the National Committee before the full convention. Since they contended that a large number of the delegates seated by the committee were not legally entitled to their places, the Roosevelt men argued that those whose seats had been challenged should not be allowed to vote when the convention determined their fates. But the convention decided, 564 to 540, to permit everyone authorized by the National Committee to cast his ballot. Thus, the very men who, according to Roosevelt, were *not* entitled to vote, cast the votes that determined that they *were* entitled to vote. This action convinced Roosevelt that he was being cheated of the nomination and readied him for a bolt.

Perkins never forgot the scene and his feelings at the time of this crucial ballot. "I sat in a front row seat in the North gallery," he recalled in 1916. "One state after another voted, each man

* Perkins's son, who questions the accuracy of these newspaper accounts, points out that his father never employed a Negro chauffeur.

rising and announcing his vote. I saw men like Nicholas Murray Butler of Columbia rise and vote 'Aye'. I saw Charles Warren Fairbanks* try to evade the vote. I heard his name called a second time, saw him hesitate and then, as every eye in that mighty throng was fastened on him, I saw him slowly rise and vote 'Aye'. He had a mighty struggle with his conscience, but he lost out. . . . Finally the voting was completed and the 'Ayes' had it." In a state of great agitation Perkins left the hall, flagged a cab, and told the driver to head south. Inwardly, he raged. "I suppose I felt very much as does a man toward someone who has murdered his parents or outraged his sister," he said in 1916. "My mind was in a turmoil. I thought and thought. Finally as I began to take notice of my surroundings I realized I was in the Kenwood district where I was born. . . . I thought of those early days; of one night when my father had our one old horse 'Charlie' hitched up and drove me into town to see a wonderful torchlight procession during the Grant campaign. . . . When we got back into the awful heat of the city and the Convention Hall, the great political machine was in full working order and my mind was calm and clear; it was fully made up; I had enlisted for the war."[27]

"War" for Perkins meant supporting a third party movement if Taft was nominated, and many other Roosevelt men made the same decision at just this time. On the evening of Thursday, June 20, the Roosevelt men met in their leader's suite to chart their course. Governor Hiram Johnson of California presented the case for leaving the Republican ranks. "We are frittering away our time," he told Roosevelt quietly but with intense earnestness. "We are frittering away Theodore Roosevelt." But Roosevelt hesitated. He realized that third party movements have little chance of success in America, and he knew how much money would be required to make even a respectable showing in a national campaign.

As the night wore on, perhaps twenty of Roosevelt's inner circle were struggling indecisively with the problem. A dozen were seated round the table; others sprawled wearily in armchairs, or slumped against the walls. Roosevelt paced restlessly back and forth, tense and silent. Perkins and Frank Munsey had gone off into a corner and were conversing in rapid whispers. Gradually the

* Fairbanks had been Vice-President under Roosevelt.

others noticed their obvious excitement; sensing their subject and realizing its importance, the group ceased all talking; almost every eye was focused on the two millionaires, while Roosevelt continued to pace the room like a caged grizzly bear. Suddenly Perkins and Munsey reached a decision. Munsey gestured decisively. They straightened up and strode toward Roosevelt, intercepting him in the middle of the room. Each placed a hand on one of his shoulders. "Colonel," they said simply, "we will see you through." Thus the Progressive party was born.[28]

CHAPTER XIV

FODDER FOR THE BULL MOOSE

THE Republican convention nominated Taft on Saturday, June 22, with most of the Roosevelt delegates refusing to vote in protest against what they called the "steal." That evening, in Orchestra Hall, these Roosevelt men met to hear their leader announce that he was ready to accept a third party nomination if it was formally offered by a new convention of progressives. Amid cheers, the meeting broke up to await a "call" for such a convention.[1]

The scene then shifted to New York, where beginning on June 26 the leaders of what was known as the Progressive or National Progressive party were gathering. Although Roosevelt said boldly that he would run no matter who was nominated by the Democrats, Perkins, less skilled in political maneuvering, admitted to a reporter that "practically nothing" could be decided until the Democratic convention had made its choice. After the Democrats nominated Governor Woodrow Wilson of New Jersey (a blow to the Progressives, since Wilson had a good record as a reform governor), the machinery for creating the new organization began to operate. Perkins, Munsey, and Senator Dixon, along with such other leading progressives as Medill McCormick, publisher of the Chicago *Tribune,* James Garfield and Gifford Pinchot, respectively Secretary of the Interior and Chief Forester during the Roosevelt administration, and E. A. Van Valkenberg, editor of the Philadelphia *North American,* began a series of conferences at the Roosevelt headquarters in the Manhattan Hotel, and with Roosevelt himself at his home in Oyster Bay.[2]

The creation of a new party was a complicated task. Basic decisions had to be made, such as whether they should try to gather a full slate of candidates for state and local offices, and whether it

was wise to co-operate with liberal elements within the Republican party. Perkins traveled back and forth to Oyster Bay so often that, as one of his colleagues said, his chauffeur "knew every pebble in the road, even in the dark" and could cover the thirty-four miles from the heart of Manhattan to Sagamore Hill in little more than an hour.

Finally, on the seventh of July, a convention was called to meet in Chicago on August 5. A few days later, Senator Dixon transferred his activities to Chicago in order to prepare for this convention and manage the campaign in the Western states. Perkins assumed control of operations in the East. Dixon was an energetic, shrewd, and pleasant man, an expert at soothing the ruffled feathers of sensitive politicians, and gifted with great political insight, but according to men who worked closely with him he had "a carelessness of office routine" that was a serious disadvantage when one was running a major campaign. Perkins's organizational skill was a fine counteractive to this weakness. He was soon setting the New York headquarters in order with his usual efficiency.[3]

In establishing the new party, much of the work had to be done hurriedly and perforce by a small group of insiders. A movement born in protest against the Taft "steam roller" quickly produced a lumbering juggernaut of its own. Perkins was "elected" a delegate to the Progressive convention at a meeting that was little more than a political caucus. As the hostile New York *World* sneered, the Manhattan County Progressive organization operated "with heavy rubber tires on its new steam-roller . . . pursuing its unbossed activities in strict accordance with a neatly typewritten programme."

The national meeting at Chicago was scarcely more democratic but the delegates were so extraordinarily united in their trust of Roosevelt that there was little resentment among the rank and file at the arbitrary way in which matters were managed. Those in the inner circle, however, exhibited important differences of opinion and little trust. Rich capitalists like Perkins and Munsey, who believed utterly in the mission of the giant corporations, sat beside doctrinaire reformers like Amos Pinchot, to whom the Sherman Act was holy writ, and who seethed with prejudice against big business. In the next bench, so to speak, were such "practical politi-

cians" as William Flinn of Pennsylvania, and Dan Hanna of Ohio, son of "Uncle Mark" Hanna himself.[4]

The ideological conflicts within the Progressive party were muted during the Chicago convention, but they existed nonetheless. Most important from Perkins's point of view was the clash that developed between him and Amos Pinchot. To outsiders, Pinchot, a thirty-nine-year-old New Yorker, seemed almost as much out of place in a "radical" movement as Perkins himself. Son of a wealthy manufacturer of wallpaper, Pinchot was a lawyer, but he took cases only when they involved some worthy cause that had attracted his attention. He lived in a handsome mansion on Park Avenue, and had the reputation of being a clubman and "society swell." But Theodore Roosevelt had made his brother, Gifford, Chief Forester. When Gifford was dismissed by President Taft after a hot controversy about conservation policy, Amos, up to that time disdainful of party politics, became an active reformer. He was an admirer of Robert LaFollette, but in 1912 he became convinced that Roosevelt represented the only hope of winning a victory for "reform." He therefore supported T.R. actively, and, like Perkins, attended the Progressive convention as a delegate from New York.

Pinchot was an individualist. He sponsored all kinds of radical ideas, and during a long life made many important contributions to the cause of civil liberties. But he was an opinionated man and refused to believe that anyone so closely associated with big business as Perkins could possibly be an effective reformer. Before the new movement was a month old he was writing to a friend that Perkins and Munsey were not real progressives. Nothing could change his view. Indeed, to Pinchot, Perkins's philosophy of regulated monopoly was pure heresy.[5]

Although well-meaning, Pinchot was clearly at fault in refusing to admit that men like Perkins could contribute to the achievement of progressive ideals. "Sincere as I think Munsey and Perkins were in a desire to do something worth while," Pinchot wrote many years later in his *History of the Progressive Party,* "their careers formed a perfect antithesis to the ideas Roosevelt had voiced in the Ossawatomie and Columbus speeches." Yet Perkins, of course, had nothing but praise for the Columbus speech, not

even balking at the idea of recalling judicial decisions, and Munsey called Roosevelt's even more radical address to the Progressive convention "splendidly progressive . . . [and] at the same time, amply conservative and sound."[6]

At the convention, Perkins and Pinchot clashed first during a meeting of the New York delegation in the Congress Hotel. The delegates chose Perkins to represent them on the Progressive National Committee, but only after Pinchot had nominated former Secretary of Commerce and Labor Oscar Straus for the post. Straus declined, and Perkins was elected unanimously, but Pinchot then attempted to organize a movement to oust Timothy L. Woodruff as chairman of the delegation. Woodruff, a former lieutenant governor, was one of the machine politicians who was supporting Roosevelt and as such he was suspect to Pinchot. Nothing came of this effort, but according to the New York *Press,* Perkins spoke "more plainly than politely" to Pinchot, saying it was "a damn good thing for the Progressive movement that there are some practical politicians like Woodruff in it." Otherwise, he added pointedly, it might find itself "trusting entirely to the cranks for support."[7]

Pinchot was without important influence in Progressive councils, but he had the persistence as well as the complete conviction of a zealot. His next excuse for criticizing Perkins was not long in coming. Of all the issues that divided his wing of Progressivism from Perkins's, none was more clear-cut than that involving the Sherman Act. It was natural, therefore, that the new party would find it difficult to prepare an antitrust proposal that all its members could agree on.

The preparation of the platform is seldom an easy task in a convention. Vote-hungry politicians usually try to blunt the sharp edges of controversial questions by swaddling them in wads of verbiage, and this is time-consuming and delicate work. Formulating this platform was particularly difficult for the Progressives because there simply had not been time to develop effective machinery for running a convention. As a result, the Resolutions Committee did its work hurriedly and, from all accounts, almost in public, every sort of unofficial observer (Amos Pinchot was one) barging in and out of its sessions to offer suggestions and criticize the ideas

of others. Certainly Perkins was among these self-appointed assistants. A California delegate later remembered that he had tampered with the style of one plank, and another observer reported that he had objected to the committee's handling of several controversial issues, the trust plank among them.[8]

On the night of August 6, with Roosevelt scheduled to be nominated the next day, the committee had still not completed its labors. As each pile of related planks was rough-hewn, it was sent from the committee's room in the Congress Hotel upstairs to Roosevelt's room, where he, Perkins, Beveridge, and a few others worked at the task of smoothing and polishing. Since Roosevelt's acceptance speech had already been written, it was important to make sure that nothing in the platform contradicted it.

Sometime late that night the committee sent up a plank on the trust question. It was the work of many hands, but it bore the mark particularly of Charles McCarthy of the University of Wisconsin, friend of LaFollette and an ardent exponent of the trust-busting philosophy. It urged "strengthening" the Sherman Act, and specified a considerable list of "unfair trade practices" that ought to be made illegal. Of course, Perkins objected to this plank, as did Beveridge, who had entered the new party reluctantly and in large part because of the urging of Perkins.[9] Roosevelt, sharing Perkins's views on the monopoly question, struck out the specific recommendations because, as he explained later, "they represented needless amplification." At the same time he strengthened another section of the trust plank calling for a federal commission to regulate business, and sent it down for final approval by the Resolutions Committee. A little later word came up that the committee had approved Roosevelt's version, and in the press of events, no one thought any more about it until the next day, when Dean William Draper Lewis of the Pennsylvania Law School read the whole platform to the convention.

But when Lewis, droning through the long recital of Progressive promises, reached the plank on the Sherman Act, he read the original statement, not Roosevelt's revision. At this stage in the proceedings, Roosevelt had already been nominated, and few persons were bothering to follow the speaker's words very attentively, but one of these few was George Perkins. Two eyewitnesses have recorded his reaction. Pinchot says that he was

sitting next to Perkins in the front row, and that as Lewis read the offending paragraph Perkins whispered excitedly: "Lewis has made a mistake. That doesn't belong in the platform. We cut it out last night." Then, according to Pinchot, Perkins rushed from the hall. Oscar King Davis also claims that he was sitting beside Perkins, but that they were on the stage, not in the first row. "As the plank was read I saw an expression of blank amazement come over his face. . . . Mr. Perkins shoved back his chair, rose, and left the platform."*[10]

In any case, Perkins left the hall and Davis, recognizing the seriousness of the incident, rushed out after him. In the wings Davis met James R. Garfield, and described to him the plank Lewis had read. "But that wasn't the one adopted by the committee. The committee adopted the one that the Colonel sent in," Garfield remarked. His own recollection thus reinforced, Davis hurried back to the hall and told Roosevelt what had happened. After a hasty conference, Roosevelt ordered Davis to make sure that the newspapers were given the platform with the whole section regarding the Sherman law cut out. Davis sent word at once to all the Chicago papers, and, after much argument, convinced the local head of the Associated Press that Lewis had made a mistake. The platform went out on the A.P. wire in its "revised" form, and thus the incident seemed to end.[12]

Why Lewis read the "wrong" plank—indeed, whether or not it *was* the wrong plank—has never been determined. As Roosevelt confessed, the members of the Resolutions Committee themselves "were in hopeless disagreement as to whether the lines in question were or were not in reality excluded." Davis claims that Lewis read the platform from a loose sheaf of notes containing various

* Pinchot must have read the Davis version, but he is so specific in describing where he and Perkins were sitting that it is difficult to choose between his account and Davis's. William Allen White also purports to describe this scene in his *Autobiography,* but his account is much less circumstantial. White had read Davis's account, which was published in 1925, long before his own appeared. White, furthermore, is quite inaccurate in his whole treatment of this convention. For example, he describes observing Roosevelt "pendulating between Perkins's room and Pinchot's room" trying to find a formula on the trust question they could both accept. "He would toddle out of one room, looking over the top of his glasses, with the contested plank in his hand, and enter another room . . . grinning at me like a dog wagging his tail." This certainly never happened, at least not where Pinchot was concerned, and not with regard to the antitrust plan in 1912.[11]

versions of the different planks, and suggests that "wholly by mistake" he read the wrong one. White says that the committee changed Roosevelt's wording. Pinchot, in one manuscript version of his account, says that the committee, "piqued by the repeated over-rulings of its decisions," restored the original plank; in another he does not indicate exactly what was done when the revised plank came down from Roosevelt's room. Professor McCarthy suggests that Roosevelt had agreed to the restoration of the antitrust plank on the night of August 6, but that in the rush of events he forgot he had done so. Thus, he agreed to its excision when told, next day, that it had been read to the convention "by mistake."[13]

In one sense it did not matter what had actually occurred. Platforms are mostly for show, as no one knows better than those who construct them. The change was one of detail, not of principle; in *both* versions the plank neatly straddled the real conflict over the trust question. As the candidate himself said, the exact wording of the plank was "utterly unimportant." In any case Roosevelt was committed to a policy of regulating big business that would play down the Sherman Act. He had repeatedly drawn a distinction between size and behavior when discussing the control of great corporations. "Nothing of importance is gained by breaking up a huge inter-state and international industrial organization *which has not offended otherwise than by its size,*" he wrote in 1911.[14] Since he was the unquestioned leader of the Progressives, his feelings on the platform would certainly take precedence over those of a committee that had no real mandate from the rank-and-file voters. At the time, no one challenged his arbitrary decision to cut out all reference to the Sherman Act after Lewis had read the "wrong" plank.

But in another sense the incident was extremely important. It reflected the fundamental division of opinion between what may conveniently be called the Perkins and the Pinchot wings of the party. Ostensibly only a matter of detail was involved; actually the real issue was whether the Progressive party was to stand for "trust busting" or for government regulation.

As soon as the convention adjourned the members of the Progressive National Committee met and chose Senator Dixon as

chairman. The next day, August 8, they met again to select a nine-man Executive Committee. Perkins was named chairman of this group, which meant that he would have real charge of the campaign, operating out of the New York headquarters. He was picked, undoubtedly, because of his known organizing ability, and especially because of his willingness to supply the money without which there could not be a campaign.

But the anti-Perkins faction did not let his selection go uncontested. In addition to men like the Pinchots, whose chief opposition was ideological, there were others, mainly from the Middle and Far West, who rejected Perkins because they associated him with the House of Morgan and finance capital, against which they were dead set. The fact that he had cut his ties with the bankers was immaterial to these prejudiced observers. For example, William Allen White, editor of the Emporia *Gazette* and the member from Kansas, has written that he liked Perkins personally, and was more than a little awed by his energy, good looks, and what he called "the odor of great power that came from his Morgan connection." But he did not think that a Wall Street man ought to be chairman of the Executive Committee. "I rebelled," White explained in his *Autobiography*. "I was just a scared but determined fat and preposterous-looking young fellow . . . but I did look Perkins squarely in the eye, and as gently as I could, being full of indignation, I denounced him."

While Perkins's candidacy was being debated, someone suggested that he ought to leave the room, but he refused. He urged those who opposed him to speak up, saying that he would try to answer their objections. After an awkward silence, a few members sided with White. The criticism centered around Perkins's "Wall Street" connections. Perkins answered it by stressing his sincere interest in Roosevelt's cause, and by pointing out that whatever damage to the party his business connections might do had already been done, since these connections were known to everyone. No one objected to his financing the campaign, he said, so why should anyone object to his taking a close interest in how the campaign was managed and the money spent.

Perkins was then formally elected, but before moving on to other business Chester H. Rowell, the California member, re-

IN THE POLITICAL JUNGLE

New York Telegram, August 5, 1912

newed the attack. More discussion followed until Matthew Hale of Massachusetts came up with the astounding suggestion that Perkins be allowed to perform the functions of the office but that some more politically "available" man be given the formal title. There was an unpleasant silence. Then J. F. Cleveland of Arizona rose and said quietly: "We believe in toting guns down our way.

But we don't carry 'em concealed." This sound observation ended the argument.

Evidently Hale's extraordinary proposal actually cleared the air, for when the meeting broke up Perkins threw his arm around White's pudgy shoulder and said that he hoped to prove that White had been wrong. "We parted, respected friends," White recalled. "He was playing his game righteously enough from his viewpoint, and I was playing mine." Unlike Amos Pinchot, White could see both sides of the issue. But he never got over his basic uneasiness about Perkins. "I have grasped the velvet glove of many iron hands, but have enjoyed none more heartily than George Perkins'," he wrote. "I have looked into the gentle, warm, gray, stubborn beam in many eyes, but none more deadly than George Perkins' happy smile."[15]

Once back in New York, Perkins attacked the job of organizing the Progressive campaign. The party was short of experienced politicians, since nearly all the liberal Republican politicians—men like Senators Albert B. Cummins of Iowa and William E. Borah of Idaho, and Governors Robert Bass of New Hampshire and Herbert S. Hadley of Missouri—had refused to abandon the G.O.P. This lack of professional leadership enabled Perkins to exert an influence in the campaign that no amateur could possibly have exerted within an established organization. Never a man to act indecisively or with hesitation, Perkins quickly established control over campaign tactics. Soon the Western leaders were muttering indignantly about his arbitrary manner of settling important matters without consulting them. At one point Senator Dixon, who was nominally in over-all charge of the campaign, became so upset that he considered going home to Montana and resigning as party chairman.[16]

But in the press of events no one seriously disputed Perkins's leadership. He approached the task with the same spirit and applied to it the same methods that he had developed in the insurance business. In his thinking, voters were comparable to the policyholders and "prospects" of the insurance world. Party workers played the role in elections that agents played in the constant competition to sell policies, while each Progressive state chairman performed functions similar to those carried out by

branch managers, organizing and directing the activities of the lesser workers in their battle to influence the mass of political "prospects." (Alas, there were no Progressive "policyholders" in 1912; this was the great disadvantage in campaigning for a new party!).

While O. K. Davis organized intensive speaking tours for the leading Progressives in the usual way, Perkins took charge of preparing and distributing campaign literature. He was soon loading down the state organizations with mountains of printed matter.

There was a great demand by local party workers for copies of Roosevelt's powerful speech to the Progressive convention, his so-called "Confession of Faith." It was therefore decided to print a huge edition of three million copies for distribution. These pamphlets were to bear a handsome portrait of Roosevelt and his running mate, Hiram Johnson, on their covers. But when the printer came to O. K. Davis for a routine check on the proofs before running the speech, Davis happened to notice that the picture had been copyrighted by the photographer, the Moffett Studio in Chicago. Davis asked the printer if permission had been obtained from the photographer to reprint this work. The answer was no. Realizing that the copyright law provided for a fine of one dollar per copy for photographs reproduced without permission, Davis rushed to Perkins, who without hesitating dictated this telegram to the studio: "WE ARE PLANNING TO ISSUE AN EDITION OF THREE MILLION COPIES OF ROOSEVELT'S SPEECH, WITH PICTURES OF ROOSEVELT AND JOHNSON ON THE FRONT PAGE. THIS WILL BE A GREAT ADVERTISEMENT FOR THE PHOTOGRAPHER. WHAT WILL YOU GIVE US TO USE YOUR PICTURES. RUSH ANSWER." Quickly came this reply: "WE HAVE NEVER DONE THIS BEFORE, BUT UNDER THE CIRCUMSTANCES WE WILL GIVE YOU $250." Ten minutes later, according to Davis, the presses were running.*[17]

As this story indicates, much of the material was sent out hurriedly and almost without plan as various issues developed during the campaign. But this was not the most serious failing in Perkins's

* Since there are no copies of these telegrams in the Perkins papers one must rely on Davis's recollection of them, as printed in his memoirs. Probably, therefore, the wording reproduced here is not completely accurate. For a print of the photograph in question, bearing the Moffett copyright, see the cover of the first issue of the *Progressive Bulletin.*

handling of the campaign; more important was the fact that far too many of his publications were connected with Perkins himself. William Allen White complained of being deluged by pamphlets entitled "What Perkins Thinks About the Tariff," "George W. Perkins' Views on Labor," and the like. Pinchot was extremely critical of another such release, "Is Perkins Honest?," in which the chairman of the Executive Committee was pictured as a crusader for social justice so committed to the Progressive cause that he burst into tears on first hearing Albert J. Beveridge's stirring keynote speech to the Progressive convention. These criticisms were well taken. Perkins seemed not to understand that despite the superficial similarity, a party chairman running a political campaign was not in the same position as a vice-president of the New York Life directing his corps of agents.

Nothing displays both the strengths and weaknesses of his campaign technique as clearly as his work in editing and distributing the *Progressive Bulletin*. This magazine, plainly modeled after the New York Life *Bulletin*, was published weekly during the campaign beginning early in September. After the election it was continued as a monthly publication. Perkins intended it to replace the usual campaign textbook and to furnish speakers and party workers with "up-to-date, sledge-hammer arguments" in their work to "educate" the people in Progressive principles. Each issue was full of slogans designed to inspire confidence and the will to proselytize in the hearts of readers. "What are you doing to help the Progressive Party? Are you telling our story to every man and woman you meet?" "Are you keeping in step with the army of progress? We are gaining recruits with every step of advancement." "By Industry We Thrive—but Whose Industry? Sit down and Think This Over." There were also pages of quotations from editorials favorable to the Progressives, headed "What the Editors are Thinking," and collections of hard-hitting paragraphs by party leaders like Roosevelt and Hiram Johnson, castigating the opposition and predicting victory.[18]

At the start the *Bulletin* was published in an edition of 200,000, and by the end of the campaign the party claimed to be distributing no less than a million copies a week. Although the first issue was plainly marked to sell for ten cents, and later issues appealed for

subscriptions at fifty cents for the campaign, in practice these huge editions were distributed free. Headquarters shipped them out in bulk to district leaders, or sent them to individuals if the district leaders were willing to pay two cents per copy for postage and handling. Perkins sent telegrams and form letters to state and local leaders pleading for lists of possible subscribers and to friendly editors asking for "Progressive" cartoons for the *Bulletin*.

However, the magazine was not a conspicuous success, and this was chiefly Perkins's fault. Far, far too much of the content dealt with *Perkins*. The first issue contained a full-page reprint of an editorial from the New York *Journal* praising his organizing ability. Two weeks later there was another full-page piece on a petty argument between Perkins and Woodrow Wilson over the difference between Tammany Hall and the Tammany Society, and still another devoted to an idea of his about using schoolhouses for Progressive party meetings. The next issue included a two-page extract from Perkins's *Saturday Evening Post* article on "Business and Government," and the following one contained a lead article by Perkins on Wilson and the trust question. The issue of October 14 carried a long letter written by Perkins to William Jennings Bryan, also on the trust question.

Defenders of the Sherman Act like Amos Pinchot boiled inwardly both at the publicity that Perkins was giving himself and also at the emphasis on his controversial opinions about large corporations. The *Bulletin* for October 14 also included, for example, the "Views of Thirty-five Political Economists on Trust Regulation." These scholars, whose ranks included President Charles Van Hise of the University of Wisconsin and such distinguished authorities as E. W. Kemmerer and Jeremiah Jenks of Cornell, F. W. Taussig of Harvard, and Henry R. Seager of Columbia, were all quoted as favoring some kind of federal regulation of business rather than trust busting. Even if the members of the anti-Perkins faction were wrong in their stand on the regulation of big business, they were absolutely right in arguing that the *Bulletin* devoted far too much space to this one question. And while Perkins can be forgiven for wanting to reply to his critics, he was politically in error as well as aesthetically in poor taste when he allowed the

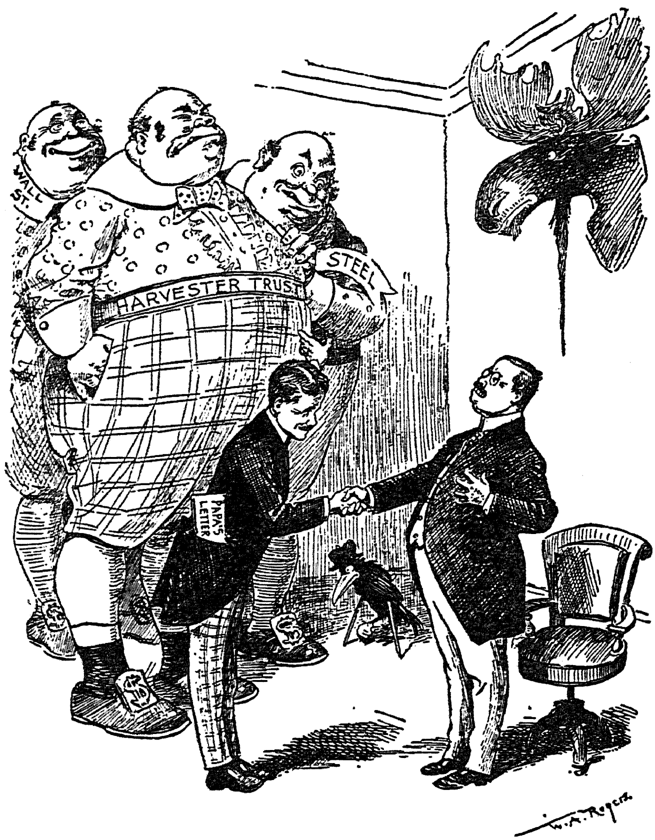
Bulletin to print his own name as often as it did. After all, it was not he who was running for office.[19]

However, a good case can be made for the argument that he was goaded into self-defense. For a man who was *not* running for office, and who held no official position in the government, he was subject to an extraordinary amount of criticism and personal abuse during the campaign. On August 14, Augustus O. Stanley lashed out at him in a sensational speech on the floor of the House of Representatives. He called Perkins "the chief intermediary" between big business and the Justice Department, the "minister plenipotentiary and envoy extraordinary" of the Morgan interests. Stanley pictured a smirking and dapper Perkins singlehandedly spiking the Bureau of Corporations investigation of International Harvester. He dragged out the old story about the $50,000 of New York Life money contributed to the Republicans in 1904. Perkins, he said, "robbed the widow of her slender patrimony; he tore from the pinched fingers of childhood its last morsel of bread. . . . Perkins to-day has escaped the penitentiary by the skin of his teeth for having picked the pockets of a shroud." A few days later, speaking in Boston, Roosevelt defended Perkins against charges that his Progressivism was motivated by self-interest. Perkins had told him that he was supporting the Progressive party simply because he wanted to make America a better place for his children, Roosevelt said. The New York *Herald* reported on this speech under the headline: "MR. PERKINS WITH THIRD TERMER FOR THE BABIES' SAKE," and dozens of newspapers commented sarcastically on the "poor" Perkins offspring who could only be protected by the Roosevelt brand of progressivism.[20]

While this story was still fresh, a committee of the New York State legislature, headed by Senator Robert F. Wagner, released a report on working conditions in the Auburn, New York, twine factory of International Harvester. It portrayed in vivid and shocking terms the conditions under which women worked there. At once the newsmen descended upon Perkins, demanding a statement. He pointed weakly to the Progressive party promise to improve the working conditions of female labor, and described the "welfare work" that International Harvester was engaged in. Although Senator Wagner denied that his investigation was

politically motivated, it was true that the affair took on added importance to Democrats and Republicans because of Perkins's connection with the Harvester Corporation.[21]

"WHY PERKINS IS FOR ME."



New York Herald, August 21, 1912

A TYPICAL ANTI-PERKINS CARTOON. NOTE "PAPA'S LETTER," A SOUVENIR OF THE ARMSTRONG INVESTIGATION THAT PERKINS WAS NEVER ALLOWED TO FORGET.

Nor was this the end of the attacks. On August 22, Senator Boies Penrose of Pennsylvania claimed that Perkins had underwritten Roosevelt's preconvention campaign to the tune of $3,000,000,

in order to control the Republican party "in the interests of the element represented by Mr. Perkins." Perkins denied this "astounding falsehood" flatly. Although it did not reach the newspapers, it was rumored at this time that Perkins had tried to get each of the directors of U. S. Steel to contribute $5,000 to the Roosevelt cause. Even Woodrow Wilson, who did not stoop to mudslinging in his campaigning, pounded hard at Perkins, striking both at his ideas and at his business connections. "These gentlemen say that these big combinations are necessary for economy and efficiency," Wilson said in a speech in the Middle West. "The only answer I can think of that meets the suggestion is: Rats! Go tell all that to the Marines." Roosevelt's whole approach to the trust question, Wilson said, was conditioned by his friendship for Perkins and Judge Gary of the steel corporation. In his attack, Wilson even paid passing reference to the unhappy Steel bond conversion scheme of 1902.[22]

As the election grew nearer, the charges and countercharges involving Perkins continued. Thomas R. Marshall, Democratic candidate for Vice-President, accused him, through his control of International Harvester, of making women and little girls work sixteen hours a day for a dollar. Perkins promptly called him a liar. Late in September Charles D. Hilles, Taft's campaign manager, claimed that Roosevelt had "spent millions of dollars of Harvester trust money" trying to get the Republican nomination. Perkins called him a liar too, and he and Hilles engaged in a hot exchange of letters that were widely published in the papers.* There were even rumors that Taft was considering seeking criminal indictments against Perkins in connection with the civil suit against International Harvester, the first hearings of which had opened in Chicago in mid-September. "I certainly am being showered with mud, filth and general abuse," Perkins complained to a friend.[24]

Although he used the word "lie" in cases where a milder term might have served better, Perkins did not himself engage in reckless criticism or personal vilification of his opponents. But he grew increasingly indignant at the repeated questioning of his motives

* "Taft's managers," said Roosevelt in connection with the Hilles attack, "are as shameless as so many baboons."[23]

in supporting Roosevelt, and the charges of Penrose and Hilles made him see red.

The question of campaign contributions loomed large in this three-cornered presidential election, and the Senate appointed a committee, headed by Moses Clapp of Minnesota, to investigate the subject. Dozens of political leaders and well-to-do contributors were called before the Clapp Committee, Perkins among them. When he appeared on October 21, the interrogation proceeded pleasantly and fruitfully until Clapp mentioned Penrose's statement that Perkins had offered to raise $3,000,000 to help Roosevelt win the Republican nomination. Then Perkins lost his temper. Rising from the witness chair and brandishing his fists in the air, he denounced Penrose. "Among the long list of unmitigated lies that have been told about this whole thing that perhaps ought to rank at the top, because it is the largest," he snapped. "There never was any truth in it; and it seems to me that when a Senator of the United States makes a charge like that he ought to be made to prove it, or he ought to act the part of a gentleman and take it back when evidence is introduced against such a statement."

"Well, Mr. Perkins," said Clapp mildly, "what we want is the statement of the man who was charged with having made it."

"Now, you have got it," Perkins replied heatedly, "and you have got it under oath, and there is not a scintilla of truth in it from A to Z."

When the Hilles claim that International Harvester money had been used in the campaign was brought up, Perkins became even angrier. "Neither the harvester company, nor the steel company, to my knowledge, has contributed or been asked to contribute, a cent," he said. "I have been pilloried before this country as the man who, in some way, gets around through the back door and puts my hand in the till and takes out this money."

Next Clapp asked him if other members of the Harvester hierarchy had made political contributions, and Perkins reminded him that previous testimony had shown that Cyrus H. McCormick had given money to the Wilson campaign. Then he made an impassioned plea for the right of individuals to contribute to whatever causes they wished. "When I was with Mr. Morgan, or anybody else, I worked in my business associations with them loyally

and faithfully, but when I was considering what I would do politically or . . . in church affairs or . . . in a charitable way, I did not any more consult them or allow them to dictate to me than if I had not known them," he said. "I am under criticism because in my different activities people think there is some subterranean mysterious system here. There is not a single solitary thing existing anywhere. I have been fighting for years for certain principles to be adopted in this country, and I have largely retired from business because I felt that I could fight better for them. It is high time that a whole lot of other men situated as I am did the same thing."

Clapp then asked him again if the Harvester Corporation had contributed to anyone in 1912. This exchange followed:

Perkins: I swear it has made none, directly or indirectly; and I want the men who say it has to prove it or shut up.

Clapp: Well, Mr. Perkins, I know of no way of proving a falsehood, and I have no authority to shut men up.

Perkins: If I were President of the United States and my manager made such infamous statements—

Senator Pomerene: Let me suggest—

Perkins: I would remove him from office.

Clapp: The only thing this committee can [do] . . . is to bring the men who, if a thing is a fact, would know it . . . and ask them.

Perkins: . . . What I want to know is, are you going to bring Senator Penrose down here—

Senator Oliver: Mr. Perkins, we will decide that for ourselves without any further prompting by you. . . . This committee has been lectured by several people here, and we are getting a little bit tired of it.

Perkins, his anger expended, quieted down at this reprimand. "I beg your pardon, and apologize if I have assumed that attitude," he said. "But I do want to ask you this: Do you know of anybody in this country who has been more vilified on this subject than I have?"[25]

Perkins should not have been so thin-skinned. A more experienced and less stubborn politician would not have been so sensitive nor defended himself so boldly. But it must have been extremely exasperating, particularly since he could not or would not use an argument that would surely have silenced his critics. For at the same time that he was being pressed to get out of politics because

of his business ties, some of the most powerful figures in the financial world were demanding that he get out of business because of his political ties.

On August 9, while Perkins was winding up the affairs of the Progressive convention in Chicago, the *New York Times* carried a small item to the effect that he would probably resign from the boards of the Steel and Harvester corporations in order to free himself for the campaign. Reading this item, J. P. Morgan, Jr., decided to push ahead with an idea that he had obviously been considering for some time. He wrote Perkins a short note, asking him to stop in for a chat. When they met on August 13, Morgan wasted no words. It was vital, he said, that Steel Corporation executives have no contact with "current politics." Perkins ought to resign from the board of directors of U. S. Steel. Unless he did so, the public would inevitably associate the corporation with Perkins, and the public must not think that U. S. Steel was "assuming a position" in politics.*

Perkins and the younger Morgan never got on well together. Perkins thought "Jack" incapable of filling "the Senior's" boots, and Morgan in turn was probably jealous of the great influence that Perkins had wielded in the firm. This bad feeling, probably a minor factor in Perkins's decision to retire, did not disappear merely because he was no longer in the house.

Naturally Perkins was irritated by the suggestion that he resign from the Steel board. He denied that his connection with U. S. Steel was injuring the corporation's public relations, but he agreed to think about Morgan's proposal for a few days. When they parted, Morgan stated ominously that he believed it would be pleasanter for Perkins to resign voluntarily, than to have his resignation "asked for."

A week went by, and then Morgan wrote a letter to Perkins pressing him again to resign. He had talked with most of the other members of the Finance Committee (he said) and they were "unanimous in their agreement and also in their regret that

* The irony of this must have been particularly bitter to Perkins. Men like Amos Pinchot were fighting him because they were convinced that the exact opposite was true. Pinchot, for example, was later to write: "The Steel Corporation [was] . . . up to its neck in politics, with the most skillful lobbyist in the country [Perkins] in command."[26]

conditions should call for such action." But Perkins refused to quit. "It has been suggested that my connection with the U. S. S. would be a disadvantage to the Progressive movement, but I've not heard of any fear being expressed as to the other side of the question," he said. "Was I about to take any office . . . where I would be assuming obligations that might conflict with my obligation to the Corporation, then I should of course leave." In any case, the campaign would not last long and Roosevelt might well fail of election. Furthermore, he added, "it looks to me as though my leaving the Corporation now would be misunderstood and that those who are bound to think ill would say it was all part of a game." A few days later he wrote again. "I am entirely unable to agree with you that a man should not have important business connections and be active in the political affairs of his country at one and the same time," he said. "We have reached a deplorable state of affairs if such is the case. . . . I naturally assume," he concluded significantly, "that your father is fully informed as to the course you have taken and evidently intend to take."

Morgan continued to urge Perkins to resign in the strongest terms, but he did not refer to his father, now seventy-five years old and progressively less active in his firm's affairs. Convinced that he was right in his stand, Perkins, therefore, held firm. When Morgan telephoned him on September 4, Perkins refused even to discuss the question, saying that they had best continue to conduct their business through correspondence. "I told him," Perkins recorded in a memorandum dictated immediately after the conversation, "that . . . I wanted to say that I thought he and all concerned were treating me very unfairly; that I resented it very deeply, but proposed to conduct the whole matter, so far as I could, without any feeling and purely on its merits." The younger Morgan dared not expel Perkins from the corporation. Perhaps he feared that the publicity involved would be worse than that which Perkins's activities had already produced. The matter was dropped until after the election.[27]

Perkins must indeed have felt put upon from all sides during the autumn of 1912. But by the same token he was utterly committed to his own position. He did not falter for a moment, nor, evidently, did he succumb to the slightest flicker of self-doubt. He

fought hard and fairly, if boisterously and in a somewhat self-centered manner, to win for Roosevelt. His admiration of his leader grew from day to day. And by mid-October Roosevelt, for his part, was calling Perkins "George" and referring to him as his "right hand man."[28]

Defeat, however, was inevitable. Roosevelt ran second to Wilson in the three-man race, collecting 4,119,000 votes to Wilson's 6,293,000. Taft was utterly crushed, carrying only two small states (Roosevelt won six, with eighty-eight electors, including California, Michigan and Pennsylvania) and winning the support of less than three and a half million voters.

For Roosevelt, it was a tremendous achievement in many ways, since even the leading Progressives had not really expected to win. But it was Roosevelt's personal achievement, not his party's. Everywhere he ran far ahead of his ticket; among the thousands of candidates, only a handful of Progressives was elected in the entire nation. Perkins, failing to appreciate the significance of the result, professed to be very hopeful. They had made "an indelible impression on the country," he told a friend after the election. "So much so-called Progressive seed has been sown on such a large area of soil that a pretty fair crop is bound to be the result ere long." Roosevelt saw things more realistically. "I had expected defeat," he wrote Arthur H. Lee immediately after the election, "but I had expected that we would make a better showing. . . . Whether the Progressive Party itself will disappear or not, I do not know."[29]

But Roosevelt's uncertainty was not reflected in the hearts of his followers. For that matter, he did not express it very emphatically himself, and only to his closest friends. The general feeling was that expressed by Perkins: a good showing had been made against great odds; surely real victory lay just ahead.

CHAPTER XV

PROGRESSIVE POLITICS

AFTER November, 1912, Perkins believed more than ever in the soundness of his goals and of his means of achieving them. He was angry at the way his motives had been questioned, but on the whole well satisfied with the way his life had gone in the two years since he had resigned his place in the House of Morgan. "It is a great thing to be as nearly a free agent as I have been . . . [and] to feel that I could do the things, say the things, and stand for the things that I individually believe in," he wrote after the election.

This being the case, one might have expected him to cut off his two remaining ties with the world of business. To have done so would have checked, if not silenced, his enemies within the party and vastly pleased the bankers. But if he resigned from the Steel and Harvester boards he would seem to be admitting either that there was something wrong in a Progressive being a big businessman or that his work for these corporations was less important than his political activity. "The Steel Corporation and the Harvester are under fire and in connection with them I am again getting a great deal of hammering," he told Beveridge a little later in his career. "[But] I am sure that my course in these matters has been right. . . . I feel morally pledged to see the thing through." Still later he put it this way to Medill McCormick: "I am absolutely certain that these organizations are right from the viewpoint of modern ethics, just as I am sure they are necessary from the viewpoint of modern economics. I am going to stay by them at least until they are vindicated."[1]

This moral commitment was Perkins's strength and also his weakness as a leader of the Progressive party. Combined with his

decisiveness, energy, imagination, and willingness to spend his money freely in the cause, it made him a very influential person, but one who too often brushed aside those who disagreed with him, and who simply failed to understand that others might like to be consulted about matters of common concern. He "could act faster than you could pull a trigger," remarked newspaperman Henry L. Stoddard, who admired Perkins and was sympathetic to his point of view.[2] While hope of victory remained, his co-workers either suffered his tendency to dominate in silence or confined themselves to grumbling and veiled complaints. But after the election some of them grew more vocal. They seized upon the most effective weapon they could find to use against him—his business connections.

His perennial critics, Gifford and Amos Pinchot, launched the attack as soon as the election returns were in. On November 9, Gifford wrote to Roosevelt urging that the party headquarters be moved from New York to Washington and placed under the direct charge of Senator Dixon. To do this would "serve as a simple and natural method" by which Perkins, who was a distinct liability, could be "kept in the background."

Roosevelt had expected this line of argument and he moved at once to squelch it. In some ways Perkins had been a burden in the campaign, but so had many other controversial individuals, including himself, Roosevelt replied. "Frankly, I don't think we could have carried on the fight at all without him." Roosevelt praised Perkins in the highest terms: He was "entirely disinterested and efficient." But for his "very great organizing ability," his "devoted zeal," and the money which he and his friends had supplied, "our whole campaign would have gone to pieces." The Progressive party was long on brilliant speakers but short on top-notch organizers. Practical men like Perkins, who stood, Roosevelt added pointedly, for "*sane* radicalism," were vital to the cause. "I will not throw to the wolves one of he staunchest allies and supporters we have had. . . . Not a voice should be raised against Perkins continuing as chairman of the Executive Committee." At least, he concluded, the Pinchots should keep their complaints within the organization, lest they "furnish aid and comfort to the enemy and excite the jeers of the reactionaries."

Roosevelt sent copies of this letter to other anti-Perkins Progressives, and wrote similar ones to influential men like Judge Ben Lindsey and Professor Charles E. Merriam deploring the prejudice of those "woefully misguided" individuals who wished to drive Perkins from his position of influence in party affairs. Most of the men who received these letters put aside, at least for a time, all thought of forcing Perkins to resign as chairman of the Executive Committee. But Gifford Pinchot and his brother Amos were more difficult to silence. Gifford went directly to Perkins on November 28 and pleaded with him to resign; the next day, along with Amos, he talked to Roosevelt, demanding that Perkins at least cease being the *spokesman* of the party. Amos Pinchot wrote to other Progressive leaders, like Harold Ickes of Chicago, state chairman of the party in Illinois, suggesting that they urge Roosevelt to force Perkins out. He followed his own advice by sending Roosevelt a long letter summarizing his case against Perkins, which was based generally on the assumption that he was completely correct and Perkins utterly wrong on the trust question, and specifically on the charge that Perkins had "unjustifiably emasculated" the party platform at the Progressive convention.[3]

Most of Perkins's critics confessed that he was a sincere Progressive and claimed that they did not dislike him personally. "Anyone that knows him cannot help liking him and admiring his energy, perseverance, and ceaseless industry," Amos Pinchot told Roosevelt, and both Gifford Pinchot and Ickes stressed the fact that they had nothing against Perkins as an individual and did not question his motives. Some of these men were not entirely candid however, for there was a deep vein of personal dislike in their opposition. Amos Pinchot could not contain his resentment at Perkins's showy campaigning, Gifford referred to him in private as "Gabby George," and Ickes gleefully reported the quip made by another Progressive that the entire party organization in New York "consisted of George W. Perkins and a push button." A close friend of Albert J. Beveridge put it this way in a confidential memorandum: "Perkins was rich. [The] Progressive Party was a conveyance for him to amuse himself with and to become generally known throughout the country. If the party won, he was a real It. If the party lost, he won at his game anyway."[4]

Despite Roosevelt's desire to prevent discord, the conflict over Perkins burst out in December, 1912, at a great Progressive "Conference" in Chicago. Some fifteen hundred delegates gathered in the La Salle Auditorium to cheer a typical fighting speech by Roosevelt and organize for the future. Outwardly all was harmony, but behind the scenes a hot argument flared. Amos Pinchot demanded that Senator Dixon, as party chairman, restore "the Sherman Law clause" to the platform, and threatened to move to do so himself at the general meeting if Dixon refused. Most of the leaders objected strongly to any public airing of the dispute, and, according to Pinchot, Roosevelt was so irritated that he refused to speak to him. But Pinchot was adamant, and the feeling that the "missing" plank ought to be restored was widespread. Roosevelt finally told Dixon to put it back, and the Senator, who presided over the general meeting, announced to the Conference that this was being done.

But this singular action, which was not very meaningful since the campaign was over, represented the only victory of the anti-Perkins faction at the Conference. Roosevelt was determined to stifle all opposition to his "conservative" supporters. In his speech to the full Conference, he singled out Perkins, Munsey, and one or two other big contributors in the audience, praising their work. "I have been happy to be associated with you," he told them before the assembled throng. "I want to say that there have been no more disinterested Progressives than yourselves." Off stage he demanded that those who claimed Perkins had "filched" the antitrust plank prove their charges; they could not do it. As William Allen White said somewhat later, Perkins was "generally supposed to have backed up OK [Davis] in swiping the objectionable planks." But there was no real evidence that he had done so.[5]

Thus Perkins was vindicated, or rather, confirmed in his position in the organization. The National Committee rejected the Pinchots' plan (introduced by James Garfield) to move party headquarters to Washington, voting 32 to 12 in favor of New York. As Professor Mowry says: "Perkins came away from Chicago second only to Roosevelt in command of the party." Even the Pinchots backed down a little. Amos claimed after the Chicago meeting that he had only hoped that Perkins could be "persuaded" to play a "less con-

spicuous" role in party affairs. He even asserted that he and his brother had discouraged the efforts of other delegates to force Perkins to resign as chairman of the Executive Committee. When

SECOND BATTLE OF ARMAGEDDON.

C. K. Berryman in Washington Evening Star, November 27, 1912

Perkins called the Executive Committee into session at the Manhattan Hotel on December 19, Gifford Pinchot agreed to take charge of "Conservation" for the newly created Progressive National Service, an information and education bureau set up by the committee under the leadership of Frances A. Kellor, an experienced social worker. Then, on January 18, Amos gave a small dinner for Perkins, at which the persuasive New Jersey reformer

George Record and a few others were present. Perkins and Record traded arguments in spirited fashion, the latter attacking big business, while Perkins insisted that the large corporations were obtaining no more than their fair share of the national wealth. "It was impossible for Record to reach him," Pinchot complained. But the discussion was amiable and everyone well intentioned. "I don't think that we are going to get him to see things our way," Pinchot confessed later to his brother, "but there is no harm in trying."[6]

In the weeks after the Chicago meeting Perkins said little about the attack that had been made on him. He sent Roosevelt an extract from a report on profit sharing prepared by the British Board of Trade, which said: "Taking them together, it is probable that the benefit and profit-sharing plans promoted by George W. Perkins surpass those of any other single benefactor of labor." He said somewhat smugly that he hoped such comments proved he was a "true Progressive."[7] But he was plainly satisfied to accept his victory quietly.

However, scarcely had the attacks of the politicians begun to let up when J. P. Morgan, Jr., resumed the assault of the businessmen. He had not been willing to force a showdown with Perkins during the presidential campaign, but now that it was clear that Perkins intended to continue his political activities, Morgan decided to raise again the matter of his resignation from the board of U. S. Steel. Early in February, while Perkins was enjoying a long vacation in southern California with his wife and daughter, the question came up in a meeting of the Finance Committee of the steel corporation. Judge Gary defended Perkins, but the other four members present seemed to feel that he should resign. No action was taken, however. Then, later in the month, Morgan summoned Gary to his Wall Street office and brought up the question again.

With the "Senior" increasingly enfeebled by old age and illness, "Jack" Morgan was in charge of the house's affairs, and consequently a great power in U. S. Steel. Gary argued forcibly and adroitly for Perkins, stressing his contributions to the corporation and to the House of Morgan. He pointed out how loyal Perkins had been to the "Senior," and even quoted a number of flattering things that Perkins had said to him privately about the old man.

Morgan appeared to be moved. "Well," he said at last, "that throws an altogether different light on the subject. I certainly do not want to do anything in opposition to your wishes. You have a good deal of burden to carry . . . and . . . both my father and I want to back you up in every way we can." He promised to consult other members of the committee and try to change their minds, not ordinarily a very difficult task for the head of the House of Morgan. Yet when Morgan talked to Gary again on March 3, it was almost as though their previous conversation had never taken place. He actually claimed that he had discussed the question with two members of the Finance Committee, but that "he had not been able to change their viewpoint"! Gary then realized that Morgan had made up his mind to force Perkins off the board.

The next day the Finance Committee met to consider Morgan's suggestion that Perkins be dropped. It would not be necessary to expel him, since his term was about to expire. The mechanics of election to the board were complicated but for all practical purposes the Finance Committee selected whomever it wished. A Proxy Committee of the corporation, consisting of the elder Morgan, Henry C. Frick, Gary, Norman B. Ream, and Robert Winsor, controlled enough votes to elect the official slate and always cast them as the Finance Committee suggested. If the committee submitted a list without his name, beyond question Perkins would be dropped.[8]

In an effort to save face for Perkins, George F. Baker of the First National Bank, a member of the Finance Committee who seemed more favorably disposed toward him than the majority, suggested that he be re-elected with the understanding that he would submit his resignation immediately thereafter. But the others balked, probably because they knew Perkins well and did not believe he would resign if re-elected. Henry C. Frick was particularly vindictive; perhaps the old conflict between the ironmasters and the bankers was not dead. After much talk the question was held over for a week. Gary left the meeting angry and discouraged. He told Perkins's secretary, Mary Kihm, who was waiting to pass on the word to California, that Perkins ought to be congratulated on being out of business and a "free agent." Even the powerful chairman of the board of the "World's Largest Corporation" could be

exasperated by the workings of the "organization men" in his own company.

After the meeting broke up, Gary introduced Mary Kihm to George F. Baker. Baker wanted to communicate with Perkins but evidently was afraid to do so directly. He picked up a piece of paper and hurriedly penciled a message, asking Miss Kihm to telegraph it to Perkins. As she left the office, Judge Gary followed her and told her "that he would have something to send . . . himself" in a moment. He, too, did not dare to communicate directly with the "condemned." After Baker had left, Gary told her what to say, and Miss Kihm then dispatched the following message using code names familiar to Perkins in order to disguise the contents:

> HEAD OF PARABLE [FIRST NATIONAL BANK] ASKS ME TO WIRE AS FOLLOWS: "FIND COMMITTEE FAVORS PASTE'S [J. P. MORGAN, JR.] PROPOSITION. OF MY OWN VOLITION I AM ASKING CONFIDENTIALLY WHETHER YOU WOULD NOT PREFER YOURSELF MAKING REQUEST NOW. . . . I AM PERSONALLY MUCH EMBARRASSED BY SITUATION." FOLLOWING IS FROM PEERLESS [GARY]: "PASTE SEEMS VERY DETERMINED. WOULD IT NOT BE BETTER TO VOLUNTARILY DECLINE? . . . MY OWN OPINION IS THAT MATTER WILL BE CROWDED TO THE FINISH."

From the Hotel Raymond in Pasadena, where he was staying, Perkins replied to these communications at once, and firmly. Respecting the sensibilities of Gary and Baker, he too sent his messages through Miss Kihm, but he did not yield to their pressure. He told Baker that he valued his friendship and respected his judgment but could not heed his advice. "IF PASTE INSISTS ON FORCING THE ISSUE I SHALL DEPLORE IT BUT SHALL NOT SUBMIT. I REALIZE YOUR EMBARRASSMENT AND SINCERELY REGRET IT." To Gary he said: "THANKS FOR MESSAGE. UNDER ALL THE CIRCUMSTANCES I COULD NOT FOR A MOMENT THINK OF VOLUNTARILY ACTING AND MY VIEWS ARE AS EXPRESSED TO YOU BEFORE I LEFT, ONLY MORE SO."[9]

Perkins's determination stiffened the backbones of his friends. When Mary Kihm delivered the message to Baker, the banker read it, hesitated, cleared his throat, looked at her quizzically over his glasses, and said lamely: "Well, I don't really know what to say."

"It *is* a rather unhappy situation," Miss Kihm replied carefully.

Then, going on: "I know Mr. P. is very much upset about it, particularly as he has always had the interests of the Corporation so close at heart."

Baker did not answer, but as Miss Kihm left he was emboldened to ask her for Perkins's California address, "in case he wanted to wire direct."

Gary, too, took a more optimistic view of the situation. The elder Morgan, he now reflected, was in Europe. Furthermore, according to late reports, he was very ill. "Paste" probably had not dared to trouble his father with this internal squabble, and if he lacked the Senior's backing, "Paste" was a far less formidable man to cross. Perhaps it was when she gave him Perkins's telegram (she could not remember the exact time later) that Mary Kihm offered Gary still another reason for standing up to Jack Morgan. "I remarked," she wrote Perkins, "that I could not understand how those men could put themselves in the position of approving any such move, even if one certain party did want it; that it seemed to me they ought to be afraid that the same sort of treatment might be meted out to them some day, without there being any real reason, as in the present case, and their hands would be tied." While Gary was still pondering the question, Baker dropped in to see him. They talked at length. Baker agreed to communicate with Frick and "some of the others." Then Gary telephoned Frick himself, and evidently made an impression because later he told Mary Kihm that he "felt somewhat encouraged" about what they referred to as Perkins's "personal matter."[10]

The details of the ensuing events are not clear since the conversations that Gary and Baker had with highly placed officials of U. S. Steel were nowhere recorded. Thursday, March 6, was the time of decision. In the afternoon, Gary sent for Miss Kihm and told her "it looked almost certain" that Perkins would be re-elected to the board. "I won't give you the details of how it has been done, as it won't be necessary to wire them," he said. "I simply give you the result." At the same time Baker sent a telegram *directly* to Perkins: "IN VIEW OF YOUR STRONG DESIRE TO REMAIN I AM CONFIDENT THAT ANY OBJECTION WILL NOT BE INSISTED UPON."

Baker's confidence was not misplaced. The Finance Committee

met on March 11, and the full board on March 18, but the question of Perkins's resignation was not raised at either meeting. Then, on March 31, John Pierpont Morgan died in Rome, aged seventy-six. When the sad news reached him, Perkins offered his condolences to the great banker's son and heir. On April 7, he received this brief acknowledgment:

MY DEAR PERKINS,
Thank you very much for your call and for your kind note. Of course we are having a hard time, but the universal sympathy and feeling shown is a great help.
I shall not hesitate to ask you if there is anything which can be done to help.

Yours very sincerely
J. P. MORGAN, JUN

And the next day, on the letterhead of the United States Steel Corporation, came this, from Judge Gary:

DEAR MR. PERKINS:
Pursuant of the authority conferred by the Finance Committee on the Chairman, you are hereby appointed a member of the Special Committee to represent the Finance Committee of the United States Steel Corporation at the funeral services of John Pierpont Morgan to be held at Saint George's Chapel, on Monday morning, April 14th, at ten o'clock.

Yours truly,
E. H. GARY
Chairman

On April 21 the stockholders of U. S. Steel met at Hoboken, New Jersey, for the annual meeting of the corporation. Thomas Murray, Assistant Secretary of the corporation, was elected a director, replacing J. P. Morgan, deceased. Edmund C. Converse, George W. Perkins, J. P. Morgan, Jr., Elbert H. Gary, Henry Phipps, Alfred Clifford, and James A. Farrell were re-elected to three-year terms as directors. "The election of Mr. Perkins to succeed himself for another term," the *New York Times* reported, "set to rest rumors which have been going the rounds in Wall Street for months that he would sever his connection with the corporation when his present term expired." The *Times* was right.

For the rest of his life Perkins remained a director of the "World's Largest Corporation."[11]

Secure now in his most important business connection, Perkins in the spring of 1913 also appeared to have achieved a harmonious relationship with the rebels in the Progressive organization. With the election out of the way there was less opportunity for him to display his aggravating tendency to attract attention to himself and more for him to use his universally admired talents as an organizer. No doubt this helped to quiet the opposition. But far more important, he seems to have made a sincere effort to co-operate with his intra-party critics, and to modify the political tactics that irritated them.

First of all, the make-up of the *Progressive Bulletin* was completely overhauled. Editorial offices were moved to Washington, and the secretary of the party, Oscar King Davis, an experienced newspaperman, became the editor. In place of Perkins's "hard sell" technique, Davis substituted a more conventional and broader coverage. His first issue contained an article on the new Progressive Service by Miss Kellor, and a series of newspaper-type stories dealing with Progressive developments in various states. "Hitting the Bull's-Eye in Pennsylvania" was followed by "Iowa Progressives Reject Republican Deal," "Northwest Progressives Alert," and "Washington Shows the Way." Later issues featured pieces on such subjects as "Bull Moose Up and Doing in Many Quarters," "Progressive Activity Shows Party Is Gaining," "Roosevelt Coming Back for Next Year's Fight," and "The Progressive Party Is Here to Stay."

It is clear that Perkins had ceased to concern himself much with either the format or contents of the *Bulletin*. Issue after issue appeared without mentioning his name, and the controversial question of the regulation of big business was almost ignored. The issue of June, 1913, contained an inconspicuous column copied from the Chicago *Evening Post* that praised the International Harvester Corporation for having installed in its plants "half a dozen of the important 'human welfare' planks of the Progressive national platform." A story on page eight of the July issue reported on sentiment in Missouri critical of a Supreme Court ruling

that the Standard Oil Company of Indiana be forced to withdraw from the state. During the remainder of the year there were no more than two or three items in the *Bulletin* that even mentioned the trust question, and in none of these was a forthright stand against trust busting advocated or described. The only item that can even remotely be related to Perkins's special interests was a half-column in the December issue on "Dangerous Competition," drawn from the *Saturday Evening Post*. This piece concerned cut-throat competition among certain fire insurance companies in New York, scarcely a controversial political question.[12]

Perkins also co-operated with his Progressive foes in revamping the party organization. The Executive Committee established sub-committees for finance, publicity, political organization, and the Progressive Service. Publicity (which included among its duties general supervision of the *Bulletin*) was headed by William Allen White, who was a moderate, but emotionally allied to the anti-Perkins faction. Progressive Service, under Frances Kellor, was positively dominated by that group. The Service established a Legislative Reference Bureau with the aid of Charles McCarthy of Wisconsin, who had pioneered in the development of this type of political research.

In addition to Gifford Pinchot's Conservation Department, the Service also created a Department of Popular Government, under George L. Record, and a Department of Social and Industrial Justice, directed by Jane Addams. Miss Addams's chief assistant was Paul U. Kellogg, supervisor of the ambitious Pittsburgh Survey. This sociological analysis of the Pittsburgh area, published in six elaborate volumes between 1909 and 1914, was very critical of many policies of the United States Steel Corporation, including most of Perkins's cherished welfare schemes. All these leaders had been opposed to Perkins. Moreover, when the Executive Committee met on April 16-17, 1913, Perkins urged that the Service be given priority over political organization in the allotment of effort, and with Roosevelt's approval, this was done. The Progressive Service was allowed a budget of $47,707 for the year; by the middle of May it had published and distributed forty thousand copies of pamphlets on various subjects (none relating to the trust question), and it had endorsed bills drafted by such anti-Perkins

Progressives as Victor Murdock and Gifford Pinchot. As state Service organizations were developed, they, too, tended to be dominated by the radical wing of the party.[13]

Perkins did not change, nor did he slacken the intensity of his personal campaign against trust busting. He testified before the Pujo Committee in Washington in January and at the International Harvester hearings in June. At the Pujo hearings, investigating the "money trust," he advocated incorporation and control of the New York Stock Exchange by the federal government. Perhaps there was a growing concentration of financial power in New York, he admitted under the questioning of Samuel Untermyer, the committee's lawyer. "My own feeling about this question of concentration," he went on, "is that we are up against it to-day in all forms of life." Regulation, he indicated, was the only intelligent answer. Testifying in the Harvester suit, which he did voluntarily and without a waiver of immunity, he said angrily: "Last year the head of the Massey Harris company of Toronto, Ont., a Mr. Jones, was knighted by the King of England for doing the same thing I have done in this country—the building up on an immense foreign field of sale for harvesting machinery." The government ought to pursue a constructive policy toward big business, not a destructive one, he insisted.[14]

Perkins also made a number of speeches during the first half of 1913. He addressed several gatherings during his California vacation and after returning to the East he talked to such groups as the Birmingham, Alabama, Chamber of Commerce and a "Sociological Conference" in Massachusetts. Everywhere he continued to lash out at small minds that could not grasp his vision of the role of the big corporation in a world dominated by modern technology.[15]

But he avoided political clashes with his foes within the Progressive party, at least for a time. In the summer he took his family abroad for an automobile tour of the British Isles. After a glorious, carefree vacation, in which they covered some 3,500 miles by car, Perkins discovered upon returning in September that he was quite depressed by the state of political developments. In the election that month in Maine the Progressives polled only about seven thousand votes, a "wet blanket" to party hopes for gains in other

areas in November. Perkins began to realize that without the magic name of Roosevelt on the ballot (and without Roosevelt's campaigning, since in October he left the country for the jungles of Brazil) the party was a feeble thing.

However, a man of Perkins's temperament could not remain pessimistic about anything that interested him deeply. In 1913 there was a popular uprising in New York against the Tammany machine, and a "fusion" candidate for Mayor, John Purroy Mitchel, was easily elected. The Progressives backed Mitchel, and none more enthusiastically than Perkins, despite the fact that the Tammany candidate was the brother of his old boss, John A. McCall of the New York Life.[16]

Mitchel's victory, however, was by no means a Progressive triumph, and elsewhere in the country the party failed to make headway. A change of tactics and a general increase of activity was clearly essential. Perkins held a joint meeting of the Progressive Executive Committee and the party's Congressional Committee in New York on November 8. This group decided to put more emphasis on the work of the Congressional Committee in order to prepare for the 1914 elections. Regular publication of the *Bulletin* was stopped, and O. K. Davis transferred back to New York. In effect, the Washington branch of the Executive Committee, just one year old, was liquidated. Its quarters were turned over to the Congressional Committee, which was also subsidized by the Executive Committee to the extent of $400 a month. In addition, the party leaders decided to limit the work of the Progressive Service. "It is daily becoming more difficult to get money for anything," Perkins wrote Frances Kellor after the November 8 meeting. "We must cut off every dollar of expense that does not pertain directly . . . to the election of Governors, Congressmen and Senators next year."[17]

There were other reasons for de-emphasizing the Service. Many state and local leaders considered it unnecessary and foolishly complicated. "The general feeling is that our theories are in part impractical, our tactics dilatory and inefficient," the head of the Speakers' Bureau reported in December. The pretentious organizational structure of the Service and its heavy dependence upon impractical and inexperienced but highly vocal intellectuals an-

tagonized professional politicians. The Service should "act more and boast less," these men believed. The feeling was widespread that in a time of financial stringency it ought to be the first branch of the party to be cut.

Furthermore, the Service was being torn apart by internal conflict. The director of its Bureau of Education was Paxton Hibben, a brilliant young friend of Albert J. Beveridge. Hibben was a dedicated worker. He had turned down a $6,000 job in business to accept the education post at $2,500. But he could not stomach Miss Kellor. In the first place, she was a martinet in the office. She insisted that everyone keep strict hours, and she was niggardly in handing out supplies. At Hibben's urging, Donald R. Richberg had accepted the directorship of the Legislative Reference Bureau. Like Hibben, he had suffered a considerable financial loss in joining the Service. But Miss Kellor allowed him only $25 a month for petty cash, and then insisted that he submit an itemized account covering every cent dispersed before drawing the next month's allowance. Miss Kellor was petty and arbitrary in other matters too. In October, 1913, she issued this edict as a staff memo:

> I regret very much to resort to drastic measures in regard to filing reports, but unless reports are in hand by the 4th of each month, or the officer files . . . a good reason for not doing so on the 2nd of each month, I shall have to withhold the salary of the offending officer.[18]

Hibben clashed with Miss Kellor as a result of an unsuccessful Progressive rally held in July, 1913, at Newport, Rhode Island. The meeting had been expensive and the ticket sale small. A considerable sum was owed to various creditors, and the question had been raised as to whether the local committee or the Service was responsible for these debts. According to Hibben, Miss Kellor asked him to rifle the files of the local committee to remove certain documents proving that the Service had made commitments to the local group. This he had hotly refused to do.

In any case a feud developed between Hibben and Miss Kellor in which Richberg and most of the other young people on the staff sided with Hibben. In mid-October, Miss Kellor told Hibben his appointment would be terminated on January 1. He and Richberg retaliated by trying to force a showdown within the organization.

Hibben filed a report with the party Executive Committee, scathingly critical of the Service and of Miss Kellor. Richberg began to write letters to prominent Progressives describing the situation as he saw it.

At first Perkins tried to act as what Hibben called a "volunteer peacemaker." He, William Draper Lewis, and Herbert Knox Smith conducted an informal investigation of the Hibben-Richberg charges. They realized at once that the situation was intolerable. At Service headquarters, the air was thick with memos and manifestoes, everyone was at the throat of someone else, no work was being done. Quickly they decided that order must be restored. On December 17 Perkins ordered both Miss Kellor and Richberg to stop squabbling. There were to be no more statements and accusations until he, Lewis, and Smith had had time to investigate the various charges and complaints. Meanwhile there should be "a little less time spent in wrangling and a little more time in working."[19]

Miss Kellor and Richberg agreed, but the latter could not resist still another long statement, also signed by Hibben and four other members of the staff, condemning Miss Kellor and "assuming" that the investigators would determine upon "an early repudiation of the tactics which have characterized the active administration of the Service." This blast turned Perkins against the Hibben-Richberg faction, because he thought it indicated that its members did not trust him. "I am at the end of my string of patience with Hibben and with Richberg too," he told Beveridge. By this time the party hierarchy had decided independently to deemphasize the Service. "The Service took the lead during 1913. In the same manner the Congressional Committee should take the lead in 1914," Perkins said. The Legislative Reference Bureau was abolished, and on April 1, 1914, Richberg left the organization. The Service continued (with Miss Kellor still at the helm), but its days of influence in the party were over.[20]

Having completed this change in the party organization, Perkins began to step up the pace of his own political activities. He wrote to all the Progressive state chairmen, exhorting them to work harder. When the Republican National Committee issued feelers that might have led to a reconciliation with the Progressives,

Perkins rejected them flatly. "There is no hope whatever of decent people . . . ever affiliating with these men again," he said in a widely reported interview.[21]

Most loyal Progressives reacted favorably to Perkins's attempt to revitalize the organization, and they approved his refusal to consider Republican offers of peace. But inevitably his activity caused new trouble within the party too. He began to send out policy "suggestions" to party workers telling them how to deal with various current issues. Among these were what one Colorado Progressive called Perkins's "contention that the regulation of 'big' business is superior to dissolution under the Sherman Act." Just at this time the Bell Telephone Company, under pressure from the Justice Department, agreed to divest itself of its holdings in the Western Union Corporation. Perkins promptly released a statement criticizing the Wilson administration's policy, and emphasizing his own strong opposition to trust busting. Toward the end of January, 1914, he attacked Wilson's antitrust policy once more; again, on Lincoln's Birthday, he addressed a large Progressive group at the Hotel Astor in New York. The New Freedom ought to be called the "Old Bondage," he said. He went on to praise the German system of cartelization in industry: "The industrial motto of Germany is 'unite and conquer,' while the industrial motto of the United States is 'dissolve and retreat.' " Though no Progressive objected to his hitting at the Democrats, his combining of these attacks with the exposition of his own views on the regulation of business caused considerable resentment.[22]

Late in February Perkins attracted still more attention in a way that was particularly exasperating to his intra-party foes. Speaking before a Republican-Progressive "harmony" gathering in Ohio, Senator William E. Borah of Idaho (who was a progressive but not a Progressive) made a rousing attack on monopoly. "I would never seek to regulate and control monopoly in any form," Borah orated. "It is a menace and can no more be controlled than you can regulate and control a cancer in the human system—cut it out root and branch, and do not be afraid to draw blood when you are doing the cutting." Borah added that he considered Perkins "the most persistent and powerful voice" then advocating the protection of monopoly.

Perhaps Borah's speech was poorly conceived for the development of "harmony," but it did not attract undue attention until Perkins replied to him at length. In a letter, which he released to the press, he said that Borah was either "densely ignorant of the facts or deliberately attempting to mislead the public." He, Perkins, was *not* in favor of monopoly. Yet instead of stopping at that point, Perkins went on to expound his views on trust regulation and to insist that they represented the official Progressive policy. "The country knows that the Progressive Party believes that large business units are necessary in this day of interstate and international communication and trade," he said.

Borah, a master of political controversy, replied with a long and brilliantly executed denunciation of the corporations that Perkins was connected with. He hit at the low pay of women employed in an International Harvester twine mill, at the House of Morgan's profits in the organization of U. S. Steel, at the steel corporation's labor policy, and other matters. Perkins defended himself in another public letter, but now *he* was answering Borah rather than carrying the fight himself. Borah captured whatever political capital there was to be garnered from this squabble, yet Perkins insisted on pushing the controversy into the open, going so far as to reprint the whole exchange and distribute it widely throughout the country.[23]

These activities stirred again the ideological opposition to Perkins within the Progressive party. Amos Pinchot was already becoming restive when the new year began. While Progressives did nothing, or talked, like Perkins, about the virtues of big business, the Democrats, led by the dynamic Woodrow Wilson, were accomplishing real reforms. Already the tariff had been revised downward and the banking system thoroughly overhauled; soon, it seemed clear, Wilson would be pushing for new legislation in the vital antitrust area. "All of us who believe in fundamentals will be left on a sand-bar, where we will rot, join the Democrats, or become some kind of political osteopaths," Pinchot grumbled. He began working on a critical study of the steel industry. He pored over the findings of Congressman Stanley's investigating committee, and found therein exactly what he had expected. "I am working hard on the trust book," he wrote his brother on February 25.

"I am enormously impressed with the ability of the Steel Corporation. . . . From Carnegie, Schwab and Gary to Perkins and Munsey* . . . they have conducted a wonderful bunco game, covering up polite rascality with a lot of Y.M.C.A. and welfare talk."

Apparently unaware of Pinchot's revived interest in attacking big business, Perkins sent him a copy of his first letter to Borah, enclosing with it a friendly note that seemed to assume he and Pinchot were in agreement on Progressive policy. Of course this was far from the case. Regulation was "merely a means of perpetuating trust extortion," Pinchot told his brother at about this time. He pushed ahead with his investigations. In mid-March Norman Hapgood of *Harper's Weekly* asked him to write an article on the conflicts within the Progressive movement with special emphasis on Perkins, and he agreed to do so. He wrote to Louis D. Brandeis for advice and information, and planned to attack Perkins on a broad front, scoring both his ideas and his way of running the party.[24]

However, Gifford Pinchot was running for the United States Senate in Pennsylvania as a Progressive. His chances seemed reasonably good. To stir up a major row in the organization might mean the difference between victory and defeat. On April 1 the brothers conferred in Philadelphia with other important Progressives, including Dean Lewis and E. A. Van Valkenberg, editor of the Philadelphia *North American*. Amos proposed publishing his attack in Van Valkenberg's paper. The editor demurred, saying that the charges against Perkins should be made before the National Committee. Gifford urged his brother not to make a public assault on Perkins until after the election. Like Gifford, most of the Pennsylvania Progressive leaders agreed with Amos that Perkins should go—but not before November. Amos did not give up his plan easily. He criticized Roosevelt ("a muddy thinker on economic lines") as well as Perkins. He considered running himself for the senatorial nomination in New York on an extremely radical program in order to dramatize his position, a possibility that horrified his brother and from which he was only dissuaded by the pleas of his dying mother. Finally however, late in April, he agreed to re-

* Munsey did not hold office in U. S. Steel, but he was a large stockholder in the corporation.

frain from publishing his blast against Perkins too.

Instead he adopted Van Valkenberg's suggestion and attacked Perkins through the Progressive National Committee, which he thought would back him overwhelmingly. He wrote a long "confidential" letter assailing Perkins, and sent it on May 23 to Joseph Dixon, chairman of the National Committee. Copies went to all members of the National Committee, to Roosevelt, and to a number of other Progressives as well. The letter reviewed the history of Perkins's connection with the party as seen from Pinchot's vantage point. First it described Perkins's attitude toward the trusts and toward labor unions. Then it criticized the way he used the official party label in publicizing his views on these questions, with special reference to his domination of the *Bulletin*. In this passage Pinchot cleverly obscured the change in *Bulletin* policy that had taken place in 1913. Next Pinchot went over his version of the tale of the "missing" plank at the 1912 convention. Then the United States Steel Corporation was vigorously attacked.

But Pinchot's main argument against Perkins was based on expediency, and this weakened his case. After admitting that Perkins was sincere, and even that he might possibly be correct in his interpretation of proper public policy toward big business, Pinchot added: "I . . . say, that even if an angel with a fiery sword should descend from Heaven at this time, and try to persuade the people of the United States to love the trusts and vote for those who protect them, he would make very little headway before election day —even with the assistance of Mr. Perkins' pamphlets." He therefore concluded: "Only by repudiating trust leadership and trust support can we gain the confidence of the public. . . . Mr. Perkins' resignation as Chairman of the Executive Committee is necessary."[25]

A "confidential" letter sent to fifty-odd people in every state in the Union could not remain a secret. The papers caught wind of it quickly, and then, to prevent the publication of a garbled account, Pinchot released the full text. The story broke on June 11. For the next few days the press was full of the controversy. The reporters naturally flocked to Perkins, but he would make no comment beyond admitting that he and Pinchot differed on certain matters. He said that he could see no point in discussing these, since neither he nor Pinchot was likely to change his mind. Privately, however,

he gave vent to his anger. "Amos's letter is full of one absolutely false statement after another," he wrote Beveridge. "It is the most outrageous production that I have run across to date, and I am simply boiling over with a desire to take his hide right off." He was keeping relatively silent, he added, only for fear of injuring Gifford Pinchot's chances in the coming election.

In general, Pinchot's attack did not meet with the response its author had expected. While many Progressives agreed that Perkins was wrong on the trust question, most could not see how forcing him out would help the organization. Others considered Pinchot's letter positively harmful. The mercurial Beveridge was furious when he read it. "I cannot find words to express my condemnation of your circular letter and of your conduct," he wrote. "It is not only bad in itself; but in view of Gifford's desperate fight in Pennsylvania it is wicked. . . . I only wish you were here and that I had the physical strength to thrash you." Expressing these violent sentiments on paper satisfied Beveridge's indignation and he did not mail this letter, but he did send one to Gifford Pinchot condemning Amos in terms almost as strong. Even William Allen White, who was basically sympathetic to the Pinchot approach, admitted that the letter was a mistake. "No one desires to reward Perkins for two years hard and effective work by booting him out incontinently," he said.[26]

Pinchot's effort failed, and its chief result was that for all practical purposes, Pinchot left the Progressive party himself. But the fight points up the resentment against Perkins within the organization. Most of this resentment had nothing to do with Perkins's political ideas. Those, like Amos Pinchot, who disagreed with his position and considered it of fundamental importance were not very numerous; certainly Roosevelt's stand regarding giant corporations was not very different, yet few stood prepared to drum T.R. out of the party on this ground. Amos Pinchot himself, as has been said, based his argument more on Perkins's mere connection with big business than on his advocacy of specific policies for controlling it.

Was Pinchot correct in saying that a man with Perkins's background could not be an effective leader in a radical party? Perhaps

he was. There is enough evidence to indicate that Perkins's antecedents were a handicap at least. Consider the case of R. F. Pettigrew, a former Senator from South Dakota, who wrote Pinchot in July 1914: "Perkins stands for nothing but rights of property. . . . Therefore Mr. Perkins must go, and if Roosevelt sticks to Perkins he must go also." Pinchot could not have expressed his own position more succinctly. But in another letter a few weeks later Pettigrew said: "I do not believe you can deal with the trusts in any other way than by taking charge of them, determining their organization and capitalization in advance, and then fix the wages they shall pay their laborers and the price they shall receive for their products. This or public ownership is the only remedy. . . ." Perkins did not suggest going this far in regulating big business. Clearly Western prejudice against Eastern bankers and rural fear of corporations like International Harvester had more to do with Pettigrew's rejection of Perkins than any specific policy Perkins had supported. For many, Perkins's money must have been another source of friction. As early as December, 1912, Amos Pinchot tried to convince Roosevelt that the future of the party depended on building up a broad base of financial support in order to end its embarrassing dependence on the largesse of a few rich men.[27] Knowledge that Perkins was paying most of the bills made many Progressives hold their tongues. But it could not check their thoughts. Indeed, being human, they may well have resented him even more *because* he was so generous.

Still another source of resentment was Perkins's continued arbitrary rule of party affairs. Voters knew little about this, but party workers knew it well, and many disliked it intensely. For example, he carried out the extensive revision of the New York office, with its de-emphasis of the Progressive Service, without even consulting the National Committee. When some important Middle Western Progressives, led by Medill McCormick of Illinois, attempted to call a meeting of the committee on their own initiative, Perkins was indignant. Their action, he indicated, was a reflection on his integrity.* McCormick retorted that "the executive department . . .

* On January 24 the Executive Committee had voted unanimously against calling such a meeting, arguing that committeemen and state chairmen would be too busy with arranging for spring primaries to be able to spare the time to attend.

has assumed a responsibility for the whole, which individual members have not felt was conferred upon it." "I resented a dictatorial attitude on his part," McCormick explained to Beveridge. And he added: "If a man subscribes heavily to a cause, he is liable, unconsciously, to take a *proprietary* interest in its welfare. This attitude, even if coupled with the best intention, begets a certain hostility." Perkins went off to Florida for a vacation without summoning the desired conference, saying: "If while I am away there is any call sent out . . . for a meeting . . . without the matter having been first submitted to the Executive Committee, I shall consider it a vote of lack of confidence . . . and shall act accordingly." Pinchot had this aspect of Perkins's leadership in mind when he wrote: "G.W.P. hasn't enough horse sense to run a party, irrespective of his ideas on economics."[28]

Perkins had been irritated because McCormick had acted behind his back. Actually, one of his most engaging qualities was his ability to accept criticism in good temper when it was made openly. He invited complaints and suggestions. In one circular to party leaders he wrote: "I would not want anyone to think that I am bigoted or bullheaded in crowing my ideas on the organization. I earnestly ask each and every one of you to give me his ideas."[29] What is more, he listened to criticisms without resentment, although admittedly he did not often change his mind after hearing them. As a result he was treated, during the course of his political career, to some extraordinarily candid comments on his own work. "Oh man of life!" William Allen White once said to him. "You don't know where to begin as a public leader." And White also spoke in the frankest terms of Perkins's "seven-devil lust to grab the drum and get around to the head of the procession."

On one occasion a party worker in the New York office, Edward A. Rumely, came to him with the suggestion that other members of the staff be given a greater voice in decision making. To do so, Rumely said, would "bring out the energies and support" that were potentially available. "We are killing off the initiative of many valuable workers," he complained. Perkins answered by saying that every business must have a single head, citing examples from his experience in industry to prove his point. Probably he was thinking of the conflicts he had known so well in the steel corpo-

ration, the events leading to the ousting of President Corey, for example.

However, Rumely pressed him hard on this point. "The Party differs from the great industrial enterprises which you named," he said. The largest corporation is "but a fragment" of the nation, but a political party seeks to stand for the interests of everyone in the land. "The policy of a great party is necessarily made up of so many diverse elements that it can be represented only by the fusion of creative minds." Rumely went on to offer examples of Perkins's failure to consult with others. "I have always had the feeling that bringing a plan or suggestion to you was like orphaning a three days old baby," he said. "Parents like to consult as to the measures taken for the care and development of their children." "Arbitrary power in a political party is often dangerous and is almost always keenly resented," he added.

Perkins was not offended by Rumely's frankness, nor was he much influenced by it. He continued to act decisively—and alone—on many party matters. He also had what a friendly critic called a "tendency to say things which may cause bitter feelings." "I am too apt to go straight to the point, speak my mind and say what I think without much regard for its effect," he himself confessed. He justified this attitude by stressing his independence and his conviction that he was right. "When I went out of the banking business, for the first time in my life I reached a point where I could say what I thought and act as I deemed best," he wrote in 1917. "If I were seeking office . . . I probably would feel very differently about it, but I am not and I have a very strong hunch that at least one man can perform some worth while public service by hewing to the line and going after the things he believes in and going after them hard."[30]

Amos Pinchot's abortive campaign was the last important effort to force Perkins from his position as Roosevelt's right-hand man in the Progressive party. But freedom from attack did not mean success for Perkins's efforts. He was not able to weld the party machinery into an efficient, harmonious unit.

CHAPTER XVI

REFORMER IN THE EMPIRE STATE

As the Progressive party faced the 1914 Congressional elections, Perkins became less active in the organization. More of his time was devoted to local matters in New York City, for as a result of his support of John Purroy Mitchel in the 1913 mayoralty campaign, he was close to the new city administration. At thirty-four, Mitchel was the youngest man ever to serve as Mayor of New York. Vigorous and progressive, he set out to establish a real reform administration. As a former investigator of corruption in Manhattan and the Bronx, he knew that the key to an honest and efficient municipal government was a trustworthy police force. He therefore considered the appointment of a police commissioner his most important single job, and the first man to whom he offered the post was George Perkins.

Perkins was tempted. For a number of years he had been interested in municipal reform, having contributed, for example, to the Bureau of Municipal Research, the City Club of New York, and the Civil Service Reform Association. In 1911 he had written a friend: "Our City Departments have for years shamefully neglected their duties or else performed them in . . . an unsatisfactory and unpatriotic manner." It was important, he added, for "decent citizens" to work at improving conditions wherever they could. But to become police commissioner would mean severing his official connection with the Progressive party, and this he was unwilling to do.[1]

Mitchel then asked him to undertake a most unusual mission. Immediately after the election, the new Mayor had gone to the Panama Canal Zone for a brief vacation. While there he had been much impressed by Colonel George W. Goethals, the engineer in

charge of constructing the canal, which was just being completed. A native of Brooklyn and a graduate of the City College of New York, Goethals was familiar with conditions in the metropolis. He discussed the need for a good police commissioner with Mitchel at some length; however, he made it clear that he was not interested in the job himself, and no offer was made.

But a few days later, Mrs. Theodore Roosevelt passed through Panama City while en route home from South America, where she had seen her husband off on his expedition into the Brazilian jungle. Goethals mentioned his conversation with Mitchel and Mrs. Roosevelt spoke enthusiastically about T.R.'s experiences as commissioner in the nineties. The Colonel seemed responsive, and Mrs. Goethals, who confessed to having had her fill of life in the tropics, was particularly impressed. When Edith Roosevelt reached New York she told the Mayor of her conversations with the Goethals, and Mitchel then decided to press the Colonel to take the job. Knowing Perkins's ability as a salesman, he asked him to go to Panama to persuade Goethals to accept.

Perkins agreed to make the effort. He left New York with his wife on January 7. After arriving in Panama he presented Goethals with a letter from Mitchel and discussed the police question with him at length. Goethals finally agreed to take the job, provided he could see the canal through to its completion* and arrange to be retired from the Army. He also asked that the powers of the commissioner, limited by state law, be considerably increased.[2]

Perkins hurried home to explain Goethals's tentative acceptance to Mitchel and other city officials. In addition to a hot debate over Goethals's demand for new powers, a flurry of political activity ensued. With the canal near completion, Goethals was the hero of the hour because of his fine management of the project. The Democratic administration in Washington, fearful of losing him, announced his appointment as the first Governor General of the Canal Zone. Secretary of State William Jennings Bryan came to New York to consult with Mayor Mitchel, announcing that he believed it was Goethals's "duty" to remain on the job in Panama; on the other hand, a number of prominent Republicans expressed the opinion that the police job was beneath the Colonel's dignity.

* It was opened to traffic in August.

Perkins had no patience with this line of argument. "There are several good people in this town who seem to think it would be far more dignified for Col. Goethals to spend the rest of his life in Panama, opening and shutting gates for a lot of ships," he wrote one of Goethals's assistants.[3]

For weeks the newspapers were full of rumors: Goethals was merely a stalking horse for Perkins, who would be named commissioner as soon as the legislature had changed the law; the police job was a blind prepared by the New York Progressives, who intended to nominate Goethals as their gubernatorial candidate. There was even a suggestion that Perkins was grooming Goethals to be the 1916 presidential candidate of the Progressives. When the story that Perkins was to be the commissioner gained some currency it precipitated a revolt among Republican members of the legislature, who feared the political effects of the domination of the New York police by a Progressive. The chairman of the Senate Committee on Cities demanded that Goethals announce firmly that he would accept the job if the police law was changed, and when the Colonel refused to do so, the legislator would not release the bill from committee. Mitchel counterattacked by announcing that if the bill was *not* passed he might appoint Perkins commissioner! Though Perkins had no intention of accepting such an offer if made, he was noncommittal when questioned by reporters, no doubt hoping to increase the pressure on the Republicans in the legislature. However, on March 24 the police bill was defeated, ending the possibility that Goethals would accept the commissionership.[4] Asked to comment on the defeat, Perkins expressed great disappointment, and said that it would prevent New York from developing an efficient police force. But with his usual optimism he was soon predicting that reform along the lines Goethals had suggested would not be long in coming, the whole state having been stirred by the controversy.[5]

The outbreak of the European war in August again involved Perkins in New York City affairs. The war caused food prices in America to leap upward in anticipation of an increased demand from abroad. This was a general development, and so serious that President Wilson ordered federal district attorneys all over the

nation to undertake local investigations. In New York, where the system of food distribution was already costly and inefficient and where the sudden disruption of Atlantic shipping had caused widespread unemployment, the situation was particularly bad. On August 13, acting apparently without consulting the parties involved, Mayor Mitchel announced the appointment of a "relief committee" to investigate the price increases and to "advise and suggest" ways in which the city might cope with the problem. The committee was very large—more than 130 persons were named—and Perkins was appointed its chairman.

Mitchel asked this committee to meet with him next day at City Hall. About fifty of the "members" showed up. Mitchel made a speech, and Perkins announced the selection of an "executive committee" of about twenty which obviously would undertake the real work. This executive committee held its first meeting on August 17 in Perkins's office. It was a well-balanced group consisting of several marketing specialists, representatives of charitable organizations and consumer groups, and a few miscellaneous individuals like Lieutenant Governor Robert F. Wagner, Louis Wiley, business manager of the *New York Times,* and Henry P. Davison of the House of Morgan. Joseph Hartigan, City Commissioner of Weights and Measures, was named secretary of the executive committee, and played a large role in its affairs.[6]

The committee, known as the Mayor's Committee on Food Supply, began its investigations amid reports of food riots among unemployed workers and consumer boycotts of stores charging high prices. Obviously it could not come up with a quick and simple solution. It did offer many comforting words, however. One day Perkins pointed out to reporters that smart housewives ought to load up on fresh vegetables and fruits, then in season, instead of buying expensive canned goods. A few days later, Secretary Hartigan told the press that early investigations showed that price hikes could be blamed on rapacious middlemen. Mrs. Julian Heath of the Housewives' League then presented some sample economy menus, and offered advice on canning, butter substitutes, and other matters.[7]

On August 29 Perkins released the first official report of his committee. It was far from startling. First it outlined the causes

of price increases which, it said, were compounded of actual new demand and the anticipation of still greater demand on the part of wholesalers. Then it suggested a campaign of education to acquaint consumers with the best food buys, and with ways of preparing and preserving these items. Next the report tackled New York's antiquated food distribution system. "The present system is a relic of 100 years ago," Perkins wrote. "We have grown from a village to a vast complex mass without improving facilities for gathering and distributing food." Most produce, he went on, reached the city in small wagons. It cost from ten to fifteen dollars to bring fifty or seventy-five dollars' worth of food to market. Wasteful duplication must be eliminated, (one investigator reported that nine different milkmen were making deliveries to a single apartment house), and efficient, large-scale units of transportation and storage must be developed.[8]

In later reports the Food Committee offered a plan for the development of the Wallabout area in Brooklyn. New dock and rail facilities, a cold storage plant, and a farmers' market were to be included in a center that would cost between $100,000 and $500,000. The huge new facility ought to be constructed by the city, and at once. Furthermore, the city should establish a permanent market commission to centralize a great complex of functions related to feeding New York. In addition to bringing under one office functions then being performed by such dissimilar departments as the Bureau of Weights and Measures, the Department of Health, the Board of Aldermen, and the office of the Comptroller, such a commission could act as a center of information, issuing bulletins for retailers and consumers on the one hand, and producers and shippers of food on the other. These suggestions were eminently sensible, but they were vigorously attacked by wholesale and retail merchants as smacking of socialism, and nothing was done.[9]

It is indicative of Perkins's influence on the Food Committee that it gave only passing attention to the problem of price collusion among producers and distributors, which would have been susceptible to correction through antitrust actions, and placed its main stress on modernization and co-operative efforts. The stress on centralization, the use of widely distributed "bulletins" as propaganda,

the issuance of press releases and the granting of frequent interviews to catch and hold the public's attention, the tendency to act with speed and dispatch, to cut to the heart of the problem and then to offer for it a rather radical and distinctly monolithic solution—all these aspects of the Food Committee's work are "pure Perkins."

The newspapers found Perkins good copy throughout the fall and winter. Neither politics nor big business was directly involved, and the work was clearly in the public interest. Newspapers that had never had a kind word for him now found space for lavish praise. "Whatever may be thought of his political activities, it will be pretty generally agreed that George W. Perkins's work as a member of the Mayor's Food Committee is intelligent and effective," the New York *World* editorialized. "If the Bull Moose theory of social justice could always be presented to us so sincerely there might be more subscribers."

Yet Perkins's fondness for self-advertisement and his tendency to utter platitudes as though they were great profundities also made him the butt of much newspaper humor. The bulletins, with their sound but simple advice, provided feature writers with an opportunity to display their wit. For example, the suggestion that consumers should buy in bulk, a sensible theory but scarcely practicable for apartment-dwelling New Yorkers, led the Brooklyn *Standard-Union,* under the heading "Sir George Tells 'Em How to Keep House," to say: "Shame on any housekeeper who should send a child down for ten cents' worth of liverworst! If she must have it, why not set up her own sausage-making plant?" In the same vein, the *World* presented a comic-strip cartoon, in which a typical housewife complains that she has no room to store large amounts of food. Her husband replies: "I don't care. . . . Use your brain. Find room. My friend G. W. Perkins is right." The remainder of the strip shows the results: the bathtub filled with ice cream, eggs stacked in the fireplace and placed in long rows along the moldings, an open umbrella filled with salt hanging from the chandelier.

The November elections brought crushing defeat to the Progressive party, and some of the New York editors could not resist taunting Perkins. A leaflet of the committee's on fish, coincidental with the unhappy returns, inspired the *Sun* to the following:

> Mr. George W. Perkins is unweary in well doing, whatever things political may befall. . . . "Don't eat meat so much; use fish more," comes the helpful hint in the latest circular he issues. . . . "If possible, buy your fish from a fish dealer," he adds, patiently recognizing the fact that some housewives might think of buying fish at a department store and getting the trading stamps. And so on, line upon line, precept upon precept, he holds his lamp of knowledge low to lighten the dark path of the housewife. . . . Let no one think the great progressives are easily dislodged from the newspapers. When driven from the first page, even the greatest of them does not disdain to shelter in a paragraph on the eighteenth or twentieth.

But such jeers were not typical. In general, the press treated Perkins and the Food Committee in kindly fashion, recognizing their public spirit even when disagreeing with their suggestions.[10]

Meanwhile, the Progressives had made a sorry showing in the 1914 elections. Perkins had realized even before the election that the party would not do well. He correctly predicted Hiram Johnson's victory in California, but, along with Roosevelt and most other close observers, expected "a very decided falling off" of the Progressive vote everywhere else. The results were worse than he had anticipated.[11]

What had caused this debacle after the bright promise of 1912? What action should loyal Progressives now take? Particularly in the East they had lost out to conservative Republicans. Eastern Progressives therefore tended to blame the defeat on a conservative reaction fortified by Republican resentment of "bolters" who had made possible Wilson's triumph in 1912. "There was something more of feeling in this State than a turning away from the Progressive party," a Massachusetts Progressive told Perkins. "There was a positive bitterness of feeling against its existence." Roosevelt told Hiram Johnson that the party was dead "east of Indiana," and attributed its demise to the fact that "the people as a whole had grown tired of reformers and most especially of me." William Allen White, on the other hand, argued that the Progressives lacked strength among the masses. "We are a middle class party," he wrote Albert J. Beveridge. "We have to get down to the hired

man and the day laborer." Eastern Progressives, White said, "have got cold feet."* [12]

Progressives were even more uncertain as to the future. Men like White and Hiram Johnson wished to fight on at all costs. Roosevelt expressed "very grave doubt as to what now should be done." Perhaps, he said, the party ought to be abandoned; perhaps they should wait to see what time would bring, hoping that events would turn in its favor or give it the balance of power in 1916. Joseph M. Dixon, titular head of the party, simply gave up. Admitting that he had not the slightest idea what should be done, he resigned as chairman of the National Committee. "Until the sky clears, I shall be an interested onlooker only," he told Perkins.[13]

It was not in Perkins's nature to drift aimlessly with the tide. Unwilling to abandon the party, he reasoned that some positive action was required to preserve it. When a group of Progressive leaders met in Chicago on December 2, he proposed that the meeting "reaffirm" the principles of the 1912 platform, stressing the need for workmen's compensation and child labor laws, the regulation of trusts, and the creation of a tariff commission. It was necessary to "give our people something to work on during this Winter," he told Hiram Johnson.

Roosevelt was not in sympathy with this approach. When Perkins asked him to draft a statement for the Chicago conference stressing domestic issues, he refused. The people were not interested in internal affairs, he claimed. His policy, for the present, was "silence and sit tight," a most un-Rooseveltian philosophy. The former President was extremly discouraged in November and December, 1914. He could not get over the idea that "east of Indiana" (he used the phrase repeatedly in his letters) Progressivism was dead. He suggested, over Perkins's strong objection, that party headquarters be moved to Chicago for this reason.[14]

The radical wing of the party also opposed Perkins's plans, but had few specific policy suggestions. On the eve of the Chicago conference, a group of them gathered at the home of Medill McCormick. Harold Ickes, Raymond Robins, and a few others were

* "I don't think Perkins has cold feet," he added, "but by the time a man has warmed the feet of about a dozen Yankee Committeemen, his own feet begin to suffer a drop in temperature."

present, as well as the moderate William Allen White. They agreed to press for the election of Congressman Victor Murdock of Kansas to succeed Dixon, and for the establishment of a new policy committee, headed by Robins and made up of men like Gifford Pinchot, Beveridge, and White. They also objected to stressing the tariff commission idea in party propaganda. But at the meeting on December 2, they found it impossible to act. The conference, attended by nearly a hundred top Progressives, voted "unanimously" to continue the organization and to reaffirm the Progressive platform of 1912. Late in the afternoon, the Executive Committee met. According to Ickes, the radicals counted noses and found that they had a majority. But when called upon to speak up, the majority melted away. "I found once more that the raging lion can turn into a bleating lamb when the time of real action appears," Ickes reported later. White and the radical Chester Rowell of California were chosen to prepare a press release summing up the conference; the statement they drafted merely parroted Perkins's ideas on tariff reform.

Ickes alone objected openly to this strategy, speaking in favor of "some word from Chicago that would give [the people] new courage," but not, evidently, suggesting the vocabulary that should be employed. When the idea of the new committee was raised, Perkins pointed out that such a group "would mean divided authority and the impression would go out that there was dissatisfaction with the Executive Committee." Again Ickes rose to challenge him, but got no support. Perkins then agreed to back Murdock as Dixon's replacement if Roosevelt and Johnson were agreeable, and to appoint a new committee—named by himself—at an unspecified date.

Actually the party was so demoralized that no segment of it was capable of a sustained challenge to any reasonable program. William Allen White's reaction was probably the most accurate and surely the most amusing. The party's "oversoul is kind of bagging at the knees," he told Roosevelt. Everyone at Chicago was "spiritually weary." The appointment of Murdock would make it possible for Perkins to play a less conspicuous role. Perkins "needn't be bothered with the ornamental standing around in a pleated shirtfront, bewailing the wrongs of an ingrate republic," the Kansan

added. "That will be Victor's job and he will do it well."[15]

Compared to his troubles in earlier crises of the party's brief but turbulent history, Perkins came through this one with relative ease. He was still master of the machinery. As the Progressive party gradually expired, few cared to fight for possession of the corpse. Perkins was willing not only to pay the bills but to devote himself to the routine of keeping the organization going. In the dark winter days of 1914-15, he had no competition for either honor.

Nor did the general pessimism dull his own enthusiasm for the party. In January, he told an old friend who had suggested that his "flirtation" with Progressivism might be ending: "I hasten to correct [the] impression you seem to have, viz., that I have forsaken the principles I have been fighting for in the Progressive Party. Not for one minute! If ever they were necessary and important, it is right now." He stepped up his speechmaking activities. Unlike Roosevelt, who was rapidly subordinating all domestic issues to his interest in the Eureapon war and American preparedness, Perkins continued to concentrate on economic affairs, now stressing the tariff as well as the regulation of industry. The burden of his argument can be seen in a brief selection from a speech he made before the Southern Commercial Congress, meeting in Muskogee, Oklahoma, on April 29:

> Take the tariff out of politics. . . . Next to the shockingly incompetent manner in which our tariff has been made comes the shockingly incompetent manner in which our great business problems have been handled. Crowding the tariff hard for first place as a trump card for politicians has been the hullabaloo . . . over the Sherman Law.[16]

Roosevelt, because of his new interest in preparedness and his contempt for pacifists and isolationists, many of whom were Progressives, was gradually drifting away from the Bull Moose party. Throughout 1915 he continued to insist to Republican friends that he expected to go along with his Progressive associates in the choice of a presidential candidate in 1916, but the impression was growing that he intended to return to the G.O.P. Thus Beveridge wrote Perkins: "The party is disintegrating. This is largely because of the feeling . . . that T.R. is flirting with the Republicans."

Perkins himself remained faithful to Roosevelt and trusted in

him too. But there *were* signs of Roosevelt's cooling ardor. In June, 1915, Perkins sent him one of the constant stream of statements he was always preparing for release to the press. This one dealt with the possibility of "amalgamating" with the Republicans. While expressing a willingness to talk about reunion, it excoriated Taft and the G.O.P. leadership. The Republican party "is still in bondage, owned and controlled by a few men who . . . propose to use it to carry out their own views and ends," it said. Taft had "stolen" the 1912 nomination and "repudiated" his pledges on the trust question. Such remarks were no different from many made in the past by Roosevelt, but now he tried to tone Perkins down and for the first time he expressed some impatience with Perkins's heavy emphasis on the trust question. "I think that the first part containing the discussion about Taft and 1912 may cause bitterness," he wrote. "You and I are particularly interested in Taft's repudiation of the plank about Trusts but to the average man this is now a very old story; and it would not be worth while putting it into a manifesto of this kind, although it was eminently worth while to have you dwell upon it in your speeches, such as those you have recently made."[17]

Perkins brushed off this hint of Roosevelt's flagging interest. On June 3 a United States District Court handed down a decision favorable to U. S. Steel in the antitrust suit against the corporation. The government appealed, but Perkins naturally treated the decision as a great victory. "Ask Taft and Wickersham what they have to say about it now," he demanded of one reporter. To another he said: "It is a victory for what I term twentieth century economics. It is a victory for moral conduct as against legal technicalities. . . . It is a victory for the Roosevelt policies as against the Taft policies."[18]

In July he waged a successful battle within the New York State Progressive organization against a faction that wanted to return to the Republican fold. This fight was particularly significant because one of the leading "amalgamators" was Roosevelt's nephew, State Chairman Theodore D. Robinson. Roosevelt had been instrumental in Robinson's election as state chairman; Perkins saw at once that the latter's abandonment of the party would "be construed as next door to the Colonel himself doing it." However,

Roosevelt soon smoothed the situation over by announcing that while he did not condemn men like Robinson, he himself intended to remain in the Progressive ranks. His equanimity restored,* Perkins rushed off to Buffalo where he successfully prevented one of Robinson's associates, Chauncey Hamlin, from leading the Erie County Progressives back into the Republican organization. Next he dispatched a letter to Progressive leaders throughout the country, describing the New York situation and urging them to hold the line against amalgamation at all costs. "You all know that personally I am opposed to Democratic rule . . . but as matters stand to-day it would be more easy to make an argument for our affiliating with the Democrats than it would with the Republicans." When Roosevelt, through his secretary, John McGrath, suggested that Perkins refrain from attacking Robinson and the other renegade New York Progressives, he demurred. "To fail to condemn their action would, it seems to me, put me in the position of saying that whenever the organization wanted to disintegrate it was welcome."[19]

For once Perkins found himself aligned with the radicals—he sent Roosevelt a letter from Ickes approving the position he had taken, which, he said, was typical of the reactions pouring into party headquarters. By this time Perkins himself was essentially in favor of reunification, but only on Progressive terms. "If the Republican party adopted the Progressive platform, I would support the ticket," he told Roosevelt in October. But there must be clear evidence that the Republicans were "looking forward, not backward," in "a sincere and progressive spirit." No such evidence emerged and largely through Perkins's efforts the Progressive organization remained intact in New York.[20]

The chief issue in the 1915 election in New York was a proposed new constitution which had been drafted during the spring and summer by a state constitutional convention. Although Old Guard Republicans had dominated that convention, its President, Elihu Root, had run it on nonpartisan lines and had done his best to

* Robinson helped things along by charging that Roosevelt was a captive of Perkins. "None of us who disagree with Mr. Perkins has been able to put to Colonel Roosevelt . . . our side of the case."

include a number of reforms. Among the changes recommended in a series of thirty-three amendments was one reorganizing the executive branch of the government and reducing to reasonable proportions the cumbersome list of petty officials chosen by popular vote. This short-ballot principle was almost universally opposed by machine politicians accustomed to finding safety for incompetent and unsavory candidates in numbers. Few voters, wading through long lists of candidates for minor offices, really knew much about the qualifications of any one of them; therefore most voted a straight party ticket, which, of course, gratified the politicians. Other major amendments aimed at rationalizing the state budget, granting a measure of home rule to cities, and reforming the state judiciary.

All of these important changes might have been expected to appeal to a man like Perkins. No doubt Root thought they would, for on September 9 he asked him to serve on a citizens' committee to work for the ratification of the new constitution. But Root was wrong. Perkins flatly refused to support the amendments; instead, spurred by Root's request to think further about the question, he organized a remarkable campaign against them.[21]

Perkins had followed the convention with more than ordinary interest. He collected, for example, a fat scrapbook of clippings from the New York papers describing its deliberations. Because Elihu Root was its presiding officer, the Progressives viewed the gathering with suspicion, despite their basic predisposition toward "reform." As the chairman of the 1912 Republican convention, Root had directed the "steam roller" that crushed the Roosevelt forces. Since he had been Roosevelt's friend as well as a member of his Cabinet, the Progressives considered him doubly perfidious; since he was a possible candidate for the 1916 Republican presidential nomination, Progressives now considered him doubly dangerous too. Perkins shared these Progressive opinions. So when Root approached him, undoubtedly with the hope that by including a prominent Progressive he could allay the fears and soothe the feelings of Progressive voters, his effort failed. Indeed, it boomeranged.

Perkins's immediate reaction to Root's appeal was emotional. His reply dealt far more with the injustices of 1912 than with the

new constitution. But he was troubled by this very emotionalism, and began to seek rational arguments to justify his position. Gradually he became interested in preparing a definitive annihilation of the proposed amendments. With characteristic efficiency, he plunged into this work. He employed a lawyer to go over the proposals word by word in order to prepare arguments against them.* He collected pamphlets, speeches, and official documents relating to the convention and its work, studied the constitution itself carefully, and entered into correspondence with various individuals opposed to one or another amendment, even including Amos Pinchot. "I have put in a tremendous amount of work studying this constitution," he wrote Frank Munsey late in October. The result of these labors was a long public letter to Root, released on October 27.[23]

The most effective argument against the constitution was that nearly all of it was submitted as a single proposition, which meant that the voters could not reject any one amendment unless they were prepared to cast out most of the rest. Root defended this procedure on the ground that the new constitution was an organic unit, each amendment dependent upon all the others. But there can be little doubt that the chief reason for adopting the all-or-nothing procedure was to protect certain presumably unpopular changes by attaching them to the skirts of widely desired reforms like the short ballot and city home rule. The amendment raising the salaries of members of the legislature, for example, was conceded to have small chance of passing if submitted separately.

Perkins argued persuasively against this procedure and also against many of the specific amendments. Root's short ballot was not short enough; the court reform would entangle the judges in partisan politics; the provision allowing the Governor to appoint members of the legislature to state office was tantamount to legalizing bribery; changes in the organization of the Conservation Department were a sellout to the lumber and power interests. He was particularly interested in attacking a proviso that exempted

* In a letter to Bernard Baruch, Perkins claimed that he actually employed two experts, one favorably disposed toward the changes, the other opposed. But his papers contain records only of his employment of Josiah T. Newcomb of the firm of Scott, Newcomb & McLoughlin, who, for $500 plus expenses, prepared arguments against the amendments.[22]

"migratory fish of the sea" from state control. His experience with the Food Committee had convinced him that the high price of sea food in New York was caused by the wasteful and senseless slaughter of fish, which could be prevented only by putting the fisheries under the Conservation Department. (The New York State Fish, Game and Forest League traced this amendment to the lair of what it called the "Fish Trust," but Perkins did not employ this term in his argument!)

In a laudable desire to simplify administration, the new constitution provided for consolidating the existing welter of state bureaus, boards, and agencies into seventeen departments. No new departments were to be created in the future, and the recently created Department of Markets would be eliminated. Again because of his interest in the Food Committee, Perkins was strongly opposed to this change, and he made much of it in his letter to Root. "The high price of foodstuffs to the people of our city is an increasingly serious problem," he wrote. "It is largely occasioned because the supplies are controlled directly or indirectly by traders in New York." An effective Department of Markets could help both farmers and consumers by regulating the activities of these middlemen, but under the new constitution, efficient state regulation would be impossible.[24]

Perkins sent copies of this letter to the newspapers and to a long list of prominent individuals. The papers printed it, and most of them commented upon it editorially. He received many letters from individuals too, indicating that his attack was having an effect.* Rather than stopping at this point to wait for the verdict of the people at the November 2 election, he seized the opportunity offered by newspaper criticisms of his letter to write replies, which were duly published. When the chairman of Root's citizens' committee attacked him in the press, he answered at length. Root himself had intended to ignore Perkins's letter, but according to reports reaching the latter, the friends of the new constitution became so worried by the stir Perkins had created that they persuaded Root

* Even those who disagreed with him were generally impressed by the letter. For example, Charles A. Beard wrote: "The best thing I can do is file a demurrer, that is, admit the facts and contend that they are not quite sufficient to warrant a verdict against the constitution."[25]

to make a public reply. Perkins, of course, responded once more, thus garnering additional publicity for his arguments.

In addition, he prepared a special appeal to farmers, written in his best *Bulletin* style, attacking the destruction of the Department of Markets. "DO YOU KNOW that the proposed Constitution abolishes the present State Market Department?" this broadside asked. "DO YOU KNOW that the proposed Constitution absolutely prohibits the Legislature from hereafter creating a State Market Department?" A "group of middlemen in New York City" would be the only beneficiaries of this action. "*The only way to prevent this is to vote against the adoption of the proposed constitution.*"[26]

Enlisting the staff of Progressive headquarters in New York, he sent out thousands of circulars containing this message and his letter to Root. He also called in John C. Cook, a former newspaperman associated with the advertising agency of Fenton and Gardiner. On October 27, less than a week before the vote, Perkins told Cook to run his letter to Root and his appeal to the farmers as full-page advertisements in all the papers. On the twenty-eighth and twenty-ninth of October, every English language newspaper and all the important foreign newspapers in the city carried Perkins's message, as did most of the upstate press. By election day it had appeared in ninety-four newspapers outside New York City as well as in all the city journals. The principal papers in and out of the city each carried it three times between October 29 and November 2.

Root's reply appeared in the morning papers on November 1, and Perkins began writing his response at once. It was finished before lunch; by one o'clock in the afternoon a four-column statement was in type and matrices had been prepared for the metropolitan dailies. In order to reach the upstate journals in time for publication on election day, Perkins had Cook telegraph his entire fifteen-hundred-word statement to the leading Buffalo, Syracuse, and Rochester papers.* All in all, newspapers with a combined circulation of 4,750,000 carried these advertisements, at a cost to Perkins of over $36,000. The total cost of his campaign against the constitution came to more than $45,000.[27]

* The charge for sending the statement by wire to each paper was $36.61. The records suggest that in one or two cases the statement was telephoned in.

Contrary to expectations, the voters rejected the constitution by a majority of better than two to one! Perkins's influence on this outcome is hard to gauge. As he said himself: "The defeat of the Constitution was so overwhelming that it is impossible to tell what effect my campaign had." Of course, his advertisements made up but a small part of the newspaper debate. The entire constitution itself was published in every paper, at an estimated cost of $700,000, and editors treated it as front-page news for weeks. The extended coverage that Perkins's comments received *as news* was indicative of the widespread publicity attending the whole debate. Nevertheless, his advertisements surely had a considerable impact. Their unusual size, as well as the bold black type employed, attracted attention. "There can be no doubt that a highly important element in the defeat of the measure is traceable to the advertising done by George W. Perkins," the trade journal *Editor and Publisher* commented. William R. Gardiner of Fenton and Gardiner, not an impartial witness perhaps, but an experienced one, claimed that Perkins had "uncovered the 42-centimeter gun that from now on must be considered the master of the situation when it comes to carrying the redoubts of public opinion." State Senator Edgar T. Brackett, leader of the Democratic opposition in the constitutional convention, believed that Perkins's letter to Root was a "tremendous accelerator" of the trend against the constitution. " 'It pays to advertise' (especially when you have the goods!)," Perkins himself said cockily after the election. And in a more sober vein he confessed: "This was such a novel way of conducting a campaign that it naturally created a very great deal of discussion."[28]

Perkins's motives for making such a powerful attack on the constitution were complex. His own explanation was as follows: "I adopted the publicity campaign I did because it seemed to me that so many newspapers were in favor of the Contstitution that the people were not getting the facts on the other side and I knew of no other way to get them out than to advertise them." But this appears to have been something of a rationalization, for a large section of the press, including the New York *World* and the powerful Hearst papers, was bitterly antagonistic to the constitution.

Probably the fact that Root was so prominently connected with

the constitution helps explain Perkins's reaction. For Perkins believed that if the election had gone the other way, the Republicans would have launched a presidential boom for Root at once. Root was never an enthusiastic aspirant for the nomination (he had seen too much of White House life for that), but Perkins did not realize this. "The people thoroughly distrust him," Perkins wrote of Root, by which he meant, of course, that *he* "thoroughly distrusted" him.

Finally, Perkins opposed the new constitution because it seemed to threaten the work of Mayor Mitchel's Food Committee. He had become something of a fanatic about the high cost of food. Further, his commitment to the idea of solving problems by means of government regulatory bodies predisposed him toward the fledgling Department of Markets. When it was lost in the shuffle of executive reorganization he was very angry.[29]

This victory cheered him; after so many political discouragements, it was good to win and to win so decisively. But the victory meant little or nothing so far as the Progressive party was concerned. Although Elihu Root's political fortunes may have been damaged, the fight had been essentially a nonpartisan one. Now it was time to consider the future of Progressivism. The presidential election was approaching. What would be the fate of the party? What its policy? As he dictated notes of thanks and congratulations to associates and well-wishers, Perkins pondered deep and long in search of the answers to these questions.[30]

CHAPTER XVII

POLITICS ON A PRIVATE WIRE

"Of one thing you can be certain," Perkins wrote Beveridge after the 1915 elections, "and that is that I am going to remain on the job if I am the only man left. . . . Whatever the result, certain people at least are going to know that they have had a fight." Perkins's mood was not really that of Leonidas preparing for Thermopylae, for he felt that Progressive defeats since 1912 did not indicate a decline in popular support. The party's strength depended on national issues rather than local ones, he argued, and in the forthcoming presidential contest, its full power and influence would again be felt.[1]

In November and December he made several trips into the Middle West, where he professed to find strong support for Roosevelt and for Progressive ideas. Party lines were blurring, he thought, and Roosevelt could rally a great national following behind a good progressive program. In this he was in harmony with the radical Progressives, with whom he conferred frequently. After one meeting at the Blackstone Hotel in Chicago, with Harold Ickes standing at his shoulder nodding agreeably, Perkins told the press that so far as he could see, the Republican leadership was incorrigibly reactionary and a union of Progressive and G.O.P. forces highly unlikely. On another occasion, and in the same company, he said that he expected the Republicans to name a presidential candidate that Progressives could not support, leading them to put a full slate in the field themselves.[2]

But even Perkins recognized that there was no real chance of the Progressives winning the 1916 election in a three-cornered race. A creditable showing perhaps, a crushing defeat for the Old Guard—but actual victory, no. This, of course, would mean four more years of power for Woodrow Wilson and the Demo-

crats, a result that few Progressives and still fewer Republicans could face with equanimity.

If only a candidate acceptable to both parties could be found! Roosevelt, with his proven voter appeal and his outspoken opposition to everything Wilsonian, was the obvious person to fuse the two parties, especially since his concern for preparedness had dulled his interest in domestic reforms frightening to conservatives. After all, he had been a lifelong Republican until 1912 and still had many friends highly placed in that party, men like William Loeb, his former secretary, Senator Henry Cabot Lodge of Massachusetts, and Medill McCormick, who had returned to the G.O.P. after the 1914 elections. Many professional politicians in both camps claimed he had no chance at all of winning the Republican nomination, but as the time for decision approached and the alternative to amalgamation became increasingly clear, no one could be sure. When Roosevelt asked Lodge in December whether the Republicans would support him, Lodge had to confess that he did not think so, but a few weeks later the Senator was predicting that the two parties would agree on *some* candidate. He could see no sign of anyone working to bring them together, but, he told Roosevelt, "perhaps drifting is the best thing."[3] During the winter and spring of 1916 it could be argued with increasing persuasiveness that the changing times had made obsolete the issues that had split the Republican party in 1912. To a prosperous nation in a world torn by war, domestic reform no longer seemed quite so vital and in any case Wilson had appropriated for himself much of the political capital in this area with his New Freedom legislation. If new issues could be stressed, especially national defense and the vigorous enforcement of American neutral rights, it would be difficult to resist Roosevelt's claims, for he epitomized these questions in the public mind.

Though Perkins shared the almost universal desire for amalgamation, he was not ready to subordinate his economic ideas to political ends. Indeed, he tried to reactivate Roosevelt's flagging interest in domestic policy. After one of his trips to the Midwest in November, 1915, he wrote Roosevelt: "I am convinced that the time is ripe for you to make a speech . . . reviving some of the thoughts you used in your speech on 'New Nationalism' at Osawa-

tomie, Kansas." These ideas, he went on, could be brought up to date by reference to developments since 1910. The experience of Germany seemed particularly relevant. "Germany has far outdistanced us in her industrial efficiency and the people are ready

ARE YOU HEROIC?
Rollin Kirby in New York World, March 12, 1916

to have this told to them now by someone who can speak with authority and with a voice loud enough to cover the country. I have a lot of data . . . to place at your disposal, and such a speech as I have in mind could bring in very naturally and timely the best side of Germany's so-called 'kultur' and how she has taken care of her working classes while at the same time taking care of her business interests." Modern technology, Perkins added, was

daily making a policy of national regulation more imperative. Soon airplanes might be carrying mail and even certain commodities. The very thought of this development "opens up a future that is so different from the past as to stagger the imagination." America should be prepared for "this condition confronting us" and "be ready to meet it when it does confront us and not wait until we bump our heads squarely up against it and then wonder what we are going to do about it." The day of state regulation had passed, Perkins continued. "As you well know, a corporation chartered by a state is never supervised or regulated at all."

This was the message Roosevelt should bring to the people. "I do not wish . . . to minimize the necessity of preparedness for war," Perkins said in another letter, "but I do think it is important to keep the question balanced, and, if anything, from now on putting a little more pressure on the necessity for preparedness against the industrial war we are sure to have than on the war at arms that we may possibly have."[4]

Roosevelt did follow Perkins's advice to some extent. In one of his magazine articles he discussed the need for copying efficient German methods of industrial organization, and he spoke, as he had in the past, in favor of the regulation of business by the national government. But his general tone was far more conservative than in 1912, and his emphasis was heavily on preparedness and international relations. Perkins, however, continued to talk about a militant Progressive revival under Roosevelt's leadership. "I know nothing about Colonel Roosevelt's intentions," he told a reporter shortly before Christmas. "But I am afraid he will have to be drafted if the Republicans succeed in doing in 1916 what they did in 1912." In private he told Edgar A. Bancroft, chief counsel for International Harvester, that he hoped for "a forward looking Republican program, regardless of personalities," which would make it unnecessary to run a third candidate. The Republican convention should be "approached by one and all with an open mind and without prejudice." But he also told Bancroft that the Republican leaders seemed determined to force through a reactionary program and a candidate to match. Should the Progressives be thus compelled to enter a third ticket, it would "be a most unfortunate affair from the standpoint of the country, but . . . the

blame would rest exactly where it did in 1912."[5]

Hoping for eventual union, the Progressive Executive Committee decided not to push Roosevelt's name too vigorously. Instead it urged the state organizations to send uninstructed delegations to the Progressive convention, and it ordered them not to enter Roosevelt in any of the Republican primaries. Sometime in November party leaders had also decided to hold their convention in Chicago at the same time that the Republicans were meeting there.

The full Progressive National Committee gathered in Chicago on January 11 in a spirit of hope and harmony. A policy committee broadly representative of various Progressive points of view* prepared a statement denouncing Wilson but reaffirming the principles of 1912. Perkins ruled unchallenged at the meeting. The policy statement called for "the constructive Federal regulation rather than the destructive disruption of efficient business organizations —behavior not size being the test." William Allen White, despite his later protestations that he was a burning radical, opposed root and branch to Perkins's ideas, not only signed this statement but personally moved before the full committee a resolution praising the "loyal work" of George W. Perkins. This resolution passed unanimously, and Perkins made a short "thank you" speech to the committeemen.

The National Committee formally announced the decision to hold the party convention at the same time as the Republicans, and this touched off a flurry of speculation about the possibilities of a merger. Charles D. Hilles, chairman of the Republican National Committee, went so far as to claim that the breach opened up in 1912 was all but healed. But Perkins, fearful of giving an impression of surrender, replied at once that the Bull Moose was stronger than ever, and would fight to the end, if necessary, for the principles of 1912.[6]

Although always insisting that they would consider other liberal candidates, it became ever more likely that the Progressives would have to wage a Roosevelt campaign, for there was little sign of any real interest in compromise within the Republican ranks. In

* The Perkins wing was represented by Herbert Knox Smith and William H. Childs, the center by E. A. Van Valkenberg and William Allen White, the western radicals by Chester H. Rowell of California.

many states Roosevelt-haters ruled the Republican organizations. A reactionary, Warren G. Harding of Ohio, was selected by the G.O.P. hierarchy to be temporary chairman of their forthcoming convention. Therefore, as the spring advanced, Perkins began pressing every advantage in an effort to build up T.R. When the New York *Tribune* came out for Roosevelt, Perkins had party headquarters distribute fifteen thousand copies of the statement. When there was a write-in vote for T.R. of considerable proportions in the Illinois Republican primary, he made much of it in a form letter to party leaders. Roosevelt sentiment was growing fast, he assured Beveridge early in April. To the argument that Roosevelt's belligerent advocacy of preparedness would lead to American involvement in the European war, Perkins replied by pointing out that as President, Roosevelt had been a peacemaker rather than a warmonger. Roosevelt had avoided a clash with Germany over Venezuela in 1902, he told reporters, and in 1903 he had negotiated with England to settle the explosive Alaskan Boundary controversy. He had also helped to end the Russo-Japanese War, winning the Nobel Peace Prize for his work. Rather than lead America into the conflict, Perkins said on another occasion, Roosevelt would negotiate a peaceful settlement of the war if elected President. Perkins also prepared and financed a huge four-page advertisement, "Why Roosevelt Would Be Our Best Guarantee of Peace," which appeared in the *Saturday Evening Post* in May under the aegis of the Roosevelt Non-Partisan League.[7]

As June 7 approached, the political situation remained complicated and confused. Within both Progressive and Republican ranks, every shade of opinion sought expression. Hiram Johnson, preparing to lead the California Progressives to Chicago, counseled stubbornness. "I believe we ought to answer the refrain of 'anybody but Roosevelt', vigorously and vociferously and obstinately with 'NOBODY BUT ROOSEVELT,'" he told Perkins. On the other hand Roosevelt himself was flirting more and more with conservative Republicans, making speeches about insuring "ample" profits for business, and corresponding with increasing numbers of Wall Street leaders. Herbert L. Satterlee, son-in-law of J. P. Morgan, was organizing a "Businessmen for Roosevelt" movement

dedicated to winning support for the Colonel among delegates to the Republican convention. Roosevelt's friend Lodge, elected a delegate from Massachusetts as part of the anti-Roosevelt faction, was pledged to favorite son John W. Weeks but ready to switch to Roosevelt on the second ballot. Perkins, announcing the "official" Progressive position after a meeting of the Executive Committee on May 10, said again that the party was ready to talk compromise but not surrender.* But he told Hiram Johnson privately that no Republican leader he had talked to seemed ready to compromise. The hope, he added, must be that rank-and-file Republican delegates, wanting a winner, would swing to Roosevelt in "the general mix-up" that was sure to develop. In truth, no one came to Chicago with a comprehensive plan of action, and despite appearances, few of the politicians were firmly committed to any special course. The situation was unprecedented. There were no master planners moving delegates like chessmen, only bewildered human beings struggling to find a man who could lead them back to power.[8]

When Perkins entered the Blackstone Hotel on June 1, Charles D. Hilles, one of his archenemies, was standing in the lobby. Perkins walked up to him and they shook hands. He also greeted some other Republican conservatives who were present, and for a moment or two all chatted and chuckled together amiably. When they parted, Hilles told reporters he thought the two parties "would get together."[9] The incident symbolized the official attitude of nearly all responsible leaders. The advantages of amalgamation were so obvious that everyone claimed to favor it.

But beyond Roosevelt there were few possibilities on whom both groups might unite. The man with the largest Republican following was Charles Evans Hughes, now a Supreme Court Justice. He was a strong candidate in some ways. As a judge he was supposedly "above" politics, and this had shielded him from much of the angry controversy of the last six years. His record in the Armstrong insurance investigation and later as Governor of New York gave him considerable standing among liberals, while his solid qualities of character as well as his reputation as a

* The New York *Herald* put the Progressive stand well: the party was extending an olive branch on the end of the big stick.

judge were appealing to the Old Guard. Few people could get very excited about Hughes; he was too strait-laced to inspire enthusiasm. But to many he looked like a winner in 1916, and this is the most inspiring quality any candidate can have in an uncertain convention situation.

Although he did not categorically renounce the presidency, Hughes refused to campaign for the nomination or even to state his position on issues, holding that his judicial impartiality must not be sullied by contact with partisan politics. This attitude was at once his strength and his weakness. Through silence, he avoided making enemies, but he also irritated the professionals. As one shrewd New York politician said on the eve of the conventions, the delegates "hate the fact that [Hughes] will not ask for the nomination and that he leaves himself in the position where, having got it, he can repudiate the platform . . . and the men who gave him the nomination."[10]

Certainly Hughes was able, and by no means a reactionary. Progressives could not logically refuse to consider supporting his candidacy, but few Progressives rated him very highly. Perkins seems to have been able to forget Hughes's role in his humiliating experiences during the insurance investigation. But Roosevelt actively disliked him. In 1907, when Hughes was Governor of New York, Roosevelt spread gossip to the effect that he was being backed financially by "the Standard Oil People." A little later Roosevelt was writing friends that Hughes was "a thoroly selfish and cold-blooded creature," and "as much under the domination of a machine as any bread-and-butter politician."[11] The passage of time had not changed these opinions; in fact, now that Hughes had refused to speak out on current issues, Roosevelt's dislike was even greater. Only the fact that he despised Woodrow Wilson prevented him from rejecting outright the possibility of supporting Hughes. The situation, then, was not hopeful for compromise, despite the fine, friendly statements of politicians in both camps. The only real Progressive candidate was anathema to a large section of the Republican leadership, and he, in turn, cordially disliked the leading Republican possibility.

Perkins's rooms at the Blackstone became the nerve center of the Progressive convention. Knowing that crucial decisions might have to be made on short notice, he had installed a private telephone

connecting his quarters and the Roosevelt home in Oyster Bay. Roosevelt had been suspicious of this arrangement at first; he was afraid that if he were to engage in frequent informal conversation with delegates during the proceedings he might easily be misquoted. To guard against this danger, Perkins put Mary Kihm at another phone, with orders to monitor the conversations. Assured that an accurate record would be kept, Roosevelt agreed to the installation of the telephone, and he made much use of it between June 5 and the end of the two conventions.[12]

The transcripts of these telephone conversations, preserved in the Perkins papers, make it very clear that Roosevelt was not simply overseeing the "betrayal" of the Progressive party, as was so often charged after the conventions. He was eager to run for presidency if he could win the support of both conventions, and by June he was really convinced that this outcome was a possibility. On June 5, Roosevelt's secretary, John McGrath, read him over the phone a long report on the situation prepared by Lemuel Quigg, a former Republican Congressman from New York. "I have talked with most of the leaders," Quigg had written, "and I am convinced . . . their control of their delegates is not complete. It lacks efficiency. It is weak to the point of being merely advisory." Moreover, according to Quigg, some of the Republican bosses were less antagonistic to Roosevelt than they were letting on. Only one of them, Boies Penrose of Pennsylvania, who had been a leader of the anti-Roosevelt forces in 1912, was openly urging Roosevelt in Chicago. ("I don't want Hughes; I cannot do business with Hughes," Penrose told Henry Cabot Lodge. "I can do business with Roosevelt.")[13] But Quigg claimed that former Governor Franklin Murphy of New Jersey was leaning in Roosevelt's direction, and that Senator Reed Smoot of Utah, a Root man, favored Roosevelt over Hughes as a second choice. Quigg even reported that Boss William Barnes of New York, who hated Roosevelt,* would not stand in his way. "Barnes is distinctly for Root, but he said to me yesterday that his personal relations with Roosevelt were such that if there was a break he would not undertake to control his group of delegates, because he did not think he was entitled to be here on personal prejudice."[14] The next day, fortified by Quigg's encouraging report,

* Roosevelt's public attacks on Barnes were so severe that Barnes sued him for libel. Roosevelt, however, was acquitted.

Roosevelt spoke with Penrose. "Senator," he said, eager to prove that he bore no grudge because of 1912, "supposing that . . . I am nominated, I want to say to you . . . that you will be the leader in the Senate at that time." "That side is not the question with me," Penrose replied. "It is a question of what we can do. I really do not think the question of patronage, while a factor with a percentage of the delegates, is the controlling factor at present."

"I was not merely thinking of patronage," Roosevelt interjected; "I was thinking of the matter in a larger way."

"I understand; it is the larger phase of the situation," Penrose said. But he added: "I discussed with Perkins today, however, how far patronage enters into the situation with the delegates, and we concluded that was a minor feature of the situation. There is a general desire to win." The difficulty lay in the fact that these delegates seemed to think Hughes was the most likely winner.

There was an irony in the affair that could not have been lost upon the participants. In 1912, as Roosevelt saw it, the Republican bosses had thwarted the wishes of the people and "steam-rollered" their candidate through the convention. Now these same men were complaining that they could not nominate Roosevelt because of the resistance of rank-and-file delegates. "This Hughes proposition has assumed proportions none of us dreamed of before we came here," Penrose told Roosevelt. His judgment was immediately confirmed by Lodge, who said to Roosevelt: "It looks like the nomination of Hughes. There is no enthusiasm for him at all but there is a widespread feeling that he can be more easily elected than anyone else. . . . Our friend who has just talked to you is very strongly against Hughes and wants to nominate you, but he isn't sure that he can put it over and he knows that it will make a lot of trouble for him with certain of his old friends. . . . It is very hard to get at the Convention. You know these delegates are all elected independently and are uninstructed and they cannot be handed around and delivered."

Other Republicans unquestionably loyal to Roosevelt agreed with this interpretation of conditions on the eve of the convention. George Von L. Meyer, a Cabinet officer under Roosevelt, said: "There is a feeling that [Hughes] is the easiest man to win with." And John T. King, National Committeeman from Connecticut, who acted as a sort of liaison man between Perkins and Penrose,

remarked: "I am very much afraid of the Hughes situation tonight. . . . It is going to be almost impossible to stop it."

But no one counseled giving up hope, and most of the insiders continued to work on the supposition that *someone* agreeable to all would be found. Lodge for the Republicans and Dean William Draper Lewis for the Progressives spent the afternoon of Tuesday, June 6, drafting party platforms for their organizations that were almost identical. That evening, Lodge reported on their activities to Roosevelt.

Lodge: I passed a large part of the afternoon with Mr. Lewis. . . .

Roosevelt: Isn't he a good fellow?

Lodge: A fine looking fellow and very nice. You may be surprised to hear we did not disagree at all. If . . . our people approve our Platform we will have a Progressive Platform and a Republican Platform that will not clash at all. It is funny when you think that Lewis and I are doing it together, but that is what it came to. I couldn't help smiling, the humor of it was apparent to me—Perkins, Penrose and myself sitting here in conference at midnight last night.

Roosevelt: I think it is one of the funniest things I have ever known.

On the seventh, the two conventions opened, the Republican at the Coliseum, the Progressive at the Auditorium. The Republicans moved routinely through their preliminary paces, all signs indicating a growing trend toward Hughes. But the Progressive delegates exploded in a record-breaking ninety-three-minute demonstration at the mere mention of Roosevelt's name during Raymond Robins's address as temporary chairman. It was clear that party leaders would have serious trouble controlling this group. Many of the rank-and-filers, fearing that "harmony" talk could only lead to the nomination of some Republican, wanted to nominate Roosevelt at once and to the Devil with any deal.[15] After the first session John McGrath reported to Roosevelt over Perkins's telephone: "Colonel, if you were to come out here yourself, even you could not get the Progressive Convention to nominate anyone but you. They are right up in the air and it is as much as we can do to keep them from nominating you."

The next day the atmosphere in the Auditorium was pitched even higher. At two-thirty, when it was time to open the session, the crowd was so excited that there was real danger of an im-

mediate stampede to Roosevelt. But at this stage, few Progressive *leaders* were urging such precipitate action. Perkins, Raymond Robins, Hiram Johnson, and John M. Parker of Louisiana conferred hurriedly. Only Parker wanted to let the convention have its head; he was firmly overruled, especially by Johnson, who felt that Roosevelt's chances at the Republican convention must be further explored before anything was done. (It was generally agreed that if the Progressives nominated Roosevelt *first,* he would have no chance at all of winning Republican backing.) The delegates were finally calmed down sufficiently to approve the appointment of a special committee to treat with the Republicans in search of compromise and union.

Back in Oyster Bay, Roosevelt continued to hope for the Republican nomination. The issues to stress, he advised his supporters over the private line, were foreign relations and Hughes's silence. "In international matters and in the present situation I know I am worth two of Hughes," he told Lodge. "We are very foolish if we do not capitalize the fact that the German-Americans are insisting that I must not be nominated," he said to McGrath. "I don't want any attack on Hughes but I want the most emphatic statement that to nominate anybody but me is to play the game of the German-Americans." He also suggested that Senator Albert B. Fall of New Mexico be asked to make the Republican nominating speech for him, emphasizing the weakness of Wilson's policy toward revolution-torn Mexico.[16]

To those who continued to stress the unexpected strength of Hughes, Roosevelt denied any wish to run himself. "I have never believed that there was a chance of my nomination," he told Medill McCormick Thursday evening. But he added: "Hughes has been a big disappointment thus far. I guess there is no need to tell you that I think Hughes a good deal of a skunk in the attitude he has taken." Roosevelt also revealed his hopes to win the nomination for himself by his continued refusal to name any compromise candidate whom he would support.* [17]

* In fairness to Roosevelt it must be mentioned that the unfortunate outcome of his having picked Taft as his successor in 1908 was still in his mind. "You named a President once," McCormick said to him at one point, "for God's sake don't shoulder the responsibility again." "You can bet your last dollar I will never shoulder that responsibility again," Roosevelt replied.

He was not alone in failing to suggest alternative candidates. On the evening of June 8, the special conference committee met at the Chicago Club. Perkins headed the Progressive group, which also included Hiram Johnson, John M. Parker, Charles J. Bonaparte of Maryland, and H. S. Wilkinson of New York. The Republicans sent three Senators (Murray Crane of Massachusetts, Reed Smoot of Utah, and Borah of Idaho), A. R. Johnson, a former Ohio Congressman, and President Nicholas Murray Butler of Columbia University. The lengthy meeting was congenial, frank, and fruitless. The Progressives offered Roosevelt as a "compromise" candidate and when Butler stated that "under no circumstances whatever would the Republican convention consent to his nomination," Perkins asked the Republicans to suggest someone else. This they refused to do, saying that they could not commit the convention to any man so early in the game. At three-thirty in the morning, the conference adjourned, having accomplished nothing.

This effort had little impact on the Republicans. When their convention reconvened, they proceeded to the nomination of candidates, a complicated and windy business that consumed most of the day. The Progressive delegates became even more unmanageable when they heard that the conference had failed. Perkins pleaded for another day's delay; he was hissed and hooted at by the crowd. But no action was taken. Although the radical leaders were now growing restive, they were not nearly so excited as Ickes and William Allen White were to remember later.

Having snatched a few hours of sleep, Hiram Johnson spoke with Roosevelt early in the morning on June 9. Unfortunately, Mary Kihm was unable to record all of their talk, but Johnson evidently limited himself to asking Roosevelt to let the delegates know his plans as soon as he had made up his mind what course to follow. Roosevelt readily agreed to do so. Then, after the morning session, William Allen White talked to Roosevelt.

According to his *Autobiography,* White was like an angry stallion champing at the bit to nominate Roosevelt and be done with delay. He had not known of the private wire until summoned to the Blackstone, and when he told Roosevelt this, the great Teddy was indignant, claiming that he had not heard from any of the liberal wing, not even Hiram Johnson! White argued with Roose-

velt about a quick nomination, insisting (he remembered) that Roosevelt accept his fate and run on the Progressive ticket for the good of the party. When Roosevelt suggested a long list of conservatives as possible compromise candidates, including Lodge and even Elihu Root, White told him flatly that the delegates would be furious if any of these men were suggested. "We wrangled for a few minutes and then laughed it off," White wrote. He finally promised to get other radical leaders to talk with Roosevelt, "except perhaps Hiram Johnson who at that time had developed relation with Perkins which made it difficult for a proud man to go into Perkins's room, hat in hand, and ask for the telephone."[18]

A comparison of White's account with the stenographic record shows how treacherous a thing is memory. In the first place, nothing was said about keeping the private wire a secret. White and everyone else in the United States knew about it, because it was front-page news even before the opening of the conventions. But Mary Kihm's transcript shows that White erred both as to what was said and as to the general tone and tenor of the conversation:

White: Hello, Colonel. This is W. A. White. How are you?

Roosevelt: Hello; fine; how are you?

White: We are just going into the afternoon session and a group of us wanted to know if you had any suggestions or instructions for us as to how things should run. Mr. Bass [Robert P. Bass, former Governor of New Hampshire] and Mr. Garfield [James A. Garfield] are here with me in the room.

Roosevelt: I can only say "keep in close touch with Johnson and George Perkins."

White: Johnson was in the group that asked me to come down and talk with you. We feel we can go over a couple of ballots [i.e., hold off on nominating Roosevelt until the Republicans had balloted] but that it would be a little dangerous to go further than that.

Roosevelt: I do not think we ought to nominate until they have had a full chance. . . .

White: We feel that if you are nominated first . . . Justice Hughes would never take the Republican nomination under any circumstances. One of two things will happen: Either they will nominate you or they will nominate some weak man who, in the final dicker over national committees after the conventions have adjourned, it would be easier to

get off the ticket than Hughes. . . . Our fellows feel that in view of that German-American endorsement we could not stand for Hughes. . . .

Roosevelt: It does not seem to me that our Convention ought to nominate me. As you know I am not prepared now to say that I will run on a third ticket. . . . Try to keep our Convention from acting today. Keep them from acting until tomorrow. . . .

White: I think it can be very easily handled for tonight provided the Republicans do not go into session tonight and stampede for Hughes. Our people do not like the Hughes proposition.

Roosevelt: I do not like the Hughes proposition myself; I loathe it. I think Hughes is a man of the Wilson type. . . . As a matter of fact I like him less and less every day because he has played a contemptible game.

Roosevelt then urged White to make every effort to avoid a split within the Progressive ranks, and White assured him that there was no danger of this. Then Roosevelt said: "I don't want those burglars to get any idea that I will not run on a third ticket, and at the same time I want our people to understand that it is a very very serious thing and that I must have the right to reserve my judgment about doing so." To this, White replied: "We appreciate that. There isn't a man who wants to push you into a third ticket with the prospects of defeat." Roosevelt then suggested, somewhat diffidently, the names of "a couple of army men," General Leonard Wood and Colonel George W. Goethals, as compromise candidates, and White said: "Either of them would suit me beautifully." The conversation ended with Roosevelt asking White to "keep going on an even keel" and to call him again in the morning.

In a state of great excitement, White hurried to the Auditorium to spread the news of his conversation with Roosevelt. But the radical wing was growing more and more impatient. "When I got back to the Convention I found they had it all framed to nominate you," Perkins reported to Roosevelt a little later. "Robins told me they did not propose to listen to any more nonsense about postponing your nomination and were going to put you through."

"George," Roosevelt replied, "there is no doubt about it; the other fellows have all the crooks and we have all the cranks."

Perkins was actually much encouraged by the day's developments

when he spoke to Roosevelt at eight o'clock in the evening, shortly before the Republicans began to poll the delegates for the first time. He was expecting more than eighty votes for Roosevelt on the first Republican ballot, and felt that there was strong sentiment for him beneath the surface. A forty-five-minute demonstration that had greeted Roosevelt's nomination at the Coliseum seemed to indicate this. The leaders would ignore it at their peril. "We are building up a case here, Colonel, this is going to be wonderful," Perkins said. "The public and the newspapers are seeing that this is getting to just the situation that 1912 did."

"But, good Lord," Roosevelt asked, "where do we come in on it?" And when Perkins indicated that he now felt that Roosevelt might really win the Republican nomination, T.R. said to him fondly: "George, I should like to be where I could hold your hand."

That evening, while the Republicans balloted, the Progressives waited impatiently at the Auditorium, chanting "Why not? Why not? Why not no-mi-nate now?" and listening to inspirational speeches by party leaders.[19] Over at the Blackstone, Edward A. Rumely and Gifford Pinchot talked with Roosevelt on Perkins's telephone. They wanted him to send a telegram to the conference committee making it clear that he intended to run as a Progressive if the Republicans nominated an unsatisfactory candidate. "The feeling has got around," said Pinchot, "that if you are nominated and they had anyone that is even approximately bearable, you would withdraw and their nomination would stand. That is what has made us weak in dealing with them. We have been playing poker with them substantially without chips." But Roosevelt refused to commit himself. "If I get the telegram habit it will be just as bad as Wilson's note habit," he said, alluding to Wilson's many diplomatic exchanges with the warring powers. He referred Pinchot to a letter he had written before the convention to Charles Bonaparte, which he said explained his stand clearly enough. "Have you seen my letter to Bonaparte?" he asked. Pinchot said he had not and Roosevelt asked him why. "Because," Pinchot replied, "only a few have seen anything; that has been our weakness here." "You know Bonaparte," Roosevelt answered impatiently, "get him to show you the letter." Pinchot left the phone to look up Bona-

parte. Having read the letter,[20] he returned to the line. In the meantime, the result of the first ballot at the Coliseum had been announced. Hughes was far ahead, with Roosevelt receiving only sixty-five votes.

Pinchot advised Roosevelt that the Bonaparte letter seemed inadequate. "Bonaparte asked me to tell you that he believed that if it were possible for you to say at this time that Hughes would not be satisfactory to you—"

Roosevelt: I cannot do anything of the sort at this time. There comes the crossing of the wires. Of course the whole theory we have been going on was that there were others that were worse than Hughes. . . . The Republicans must take my statement at its face value; that if they carry things too far they may make it absolutely necessary for me to run on a third ticket, but I absolutely will not commit myself in advance. I wish you would look around and see who else would run; see Hiram Johnson.

Pinchot: He will not. . . . Your refusal to run would kill the Progressive Party entirely. That seems to be self-evident.

Roosevelt: Now Gifford, I must think over that; I cannot say off hand. . . . I wish to say this—that there is a very wide difference between making a young Colonel and a retired Major General lead a forlorn hope. I have simply got to reserve judgment.

Their discussion went on. Pinchot expressed the fear that if the Republicans named Hughes, an effort would be made to nominate the Justice in the Progressive convention too. Roosevelt promised to make it clear to his "managers" that he was opposed to any such action. But Pinchot was not satisfied. His remarks reflect the suspicion of the radicals that Perkins was out to destroy the party. "Will you tell George Perkins the same thing?" he asked. "All you have to do, Theodore, is to let your will be known to your managers."

Roosevelt: My will known to the managers? I am not going to dictate to that Convention as if I were a Tammany Chieftain. That is just what I want to avoid doing.

Pinchot: There is no question of your dictating. The Convention wants to do only one thing and is afraid that plans are being put into operation to prevent it from doing so, and I want you to make it plain that those plans have not your approval, if they exist.

Roosevelt: Very good . . . I personally will not support Hughes until I know where he stands.

Pinchot: May I quote you on that?

Roosevelt: Yes, but you must not quote me to the newspapers.

Pinchot: Well, then, whom can I quote you to?

Roosevelt: What do you mean? Do you mean to say that you think you can quote me to the newspapers? Of course you cannot. Quote me to Hiram Johnson, to William Allen White, to Henry Allen, to George Perkins.

And to Rumley he added: "I have told Hiram Johnson and I have told George Perkins that they must be in consultation. Let Hiram Johnson and George Perkins get together, and if they differ, then let them come to me."

By ten o'clock the Republicans had completed their second ballot and adjourned. Hughes made significant gains; Roosevelt's total increased only to eighty-one. It was now the turn of Roosevelt's Republican friends to talk with him from Perkins's rooms. Medill McCormick told him that Hughes's nomination seemed assured. George B. Cortelyou predicted a showdown at the conference committee, which was about to meet again at the Chicago Club. He expressed the fear that if Hughes were "killed off" there might be a rush to Elihu Root. "We had much better have it Hughes than Root," Roosevelt snapped at once. He added that he did not expect the conference to be able to agree.

Next Cortelyou asked what he would do if the Progressives nominated him. Roosevelt answered with a question. "Shall I take a little time to decide? Should I take two or three hours to consider it?" Cortelyou urged deliberation. If Roosevelt accepted at once it would look too much like a snap judgment. "But my dear boy," Roosevelt said. *"I do not intend to accept."*

Roosevelt continued to talk with other friends, but the center of attention now passed to the conference committee. Everyone in the group realized that this was the last chance for the "bosses" to exert the control they liked to think they possessed. If they could not agree, the separate nominations of Roosevelt and Hughes would surely follow in the morning. Yet the Progressives still insisted that they had no name to suggest but Roosevelt's, and the Republicans rejected him without suggesting an alternative. Shortly before

three in the morning the committee adjourned. As the weary conferees were leaving the Chicago Club, Perkins asked Nicholas Murray Butler if he would be willing to talk to Roosevelt. Butler asked leave to discuss this idea with some of his friends, and after they had endorsed it, he hurried to Perkins's rooms at the Blackstone.

Butler's recollection of his talk with Roosevelt as presented in his autobiography, is substantially correct, but incomplete. Perkins got Roosevelt on the phone at ten minutes to three. "I must talk very quickly and then will put Nicholas Murray Butler on the telephone in a minute," he said. "All I want to be sure to do is to tell you that you must not say in any way that you are for this man, that man or the other."

"What is the use of it?" asked Roosevelt.

"I don't know. This is all along the line of trading out before morning."

"All right."

Perkins then gave Butler the line.

"Hello; this is Colonel Roosevelt."

"Hello; this is Murray Butler."

"How do you do, President of Columbia College?"

"We have been having a very interesting time out here," Butler began. "Now the situation in the Republican Party is just this: The so-called [favorite sons?] cannot hold their votes from Hughes much longer. The outlook now is that Hughes will be nominated on the first or second ballot in the morning. That is to me and a great many of us a desperate calamity. The fact of the matter, whether Mr. Hughes knows it or not, is that all the pussyfooters and pro-Germans in Chicago are for him, and that of itself has excited my suspicion."

"And he is not going to make any statement until after his nomination?"

"No, and then it will be futile," Butler continued. "I regard it as impossible to elect him, no matter who endorses him. I regard it as assuring four more years of this awful Wilson. I am most anxious—and I have a great many of our people in condition to talk sense—to find some way, if possible, to prevent Hughes's nomination, and there is only one way to prevent it and that is to

say to them that some one has been found who is satisfactory to the Progressives and who has your support."

Butler then made three suggestions: Elihu Root, Charles W. Fairbanks, and Philander C. Knox. Of these Root was clearly the largest figure both in intellect and experience, but both Butler and Roosevelt thought him hopeless as a compromise candidate. The others, lesser men, received serious consideration. Roosevelt soon eliminated Knox, however, because he felt that as Taft's Secretary of State he had been partially responsible for what Roosevelt considered the mishandling of the Mexican Revolution. "I am devoted to Knox personally," he told Butler, "but, unfortunately, he is just as much responsible for this Mexican situation as the present administration. You ask Senator Fall. . . . I gave him a fit last winter when I advocated Knox."

"I suppose this is absolutely true," Butler said.

"Mexico," Roosevelt stated portentously, "is our Balkan Peninsula and we will have to handle it; and we will be met at every step in our condemnation of Wilson with what our candidate himself has done. Lodge will tell you that too."

"What is there in a general way to say about Fairbanks?" Butler asked.

Fairbanks had been Roosevelt's Vice-President, as well as Senator from Indiana. But he was a colorless man with no outstanding abilities. "I really have a real liking for Fairbanks," Roosevelt said. "He is a very much better man than Hughes, but I am horribly afraid he will prove impossible to do anything with. . . . I need not tell you that I am in the same position that you are. I have to get the Progressive convention to agree in the same way that you must get the Republican convention in agreement."

Butler now made a fervent appeal for co-operation. "The feeling in our conference is really excellent," he said. "I have never seen a more constructive and helpful group." Even the radical Hiram Johnson had been "as kind and helpful as if he had never had any temper." Senator Smoot, Butler went on, had expressed the general feeling most effectively. "He feels that the issue before the country is so enormous that we have no right, any of us, to hold out on any punctilios or preferences, but get together to beat Hughes and Wilson. Because I have gathered up the reins during the evening

and am in control now I am fortunately in position to act more promptly and more authoritatively than during the afternoon, because I told these fellows that somebody must do something."*

"Would there be any chance of taking up an entirely new man?" asked Roosevelt.

"I think it possible, although it might surprise them very much."

"Would there be a chance of taking up Leonard Wood?"

"As a military man, the General would be unacceptable in the Middle West," Butler answered.

"He wouldn't have to do as Brother Hughes will have to do—improvise," Roosevelt retorted. "Would there be any possibility of putting Lodge across?"

Butler suggested that local squabbles within the Massachusetts delegation might militate against Lodge's selection, but agreed that he was a possibility. "I don't know what vote-getting qualities Lodge has," he said.

"I don't myself," Roosevelt said, "but he has the political habit and these men would get on with him. Now I am speaking of a man I don't even know myself; what do you think of Borah?"

"The trouble with Borah (which I would not like even you to mention to anyone) is his personal habits in Washington. You can infer the rest. He has troubles in Washington of a very personal nature; personal habits that are objectionable."

"Apparently only Wilson can get away with anything of that sort," Roosevelt remarked angrily.

Butler then suggested that he ring off in order to discuss Lodge with George Perkins. Roosevelt told him to include Hiram Johnson in the discussions. "At this point the Progressive convention, like the Republican convention, will have its suspicions and anger, and I should like to have Hiram Johnson included in the game." Before hanging up, Butler apologized for getting Roosevelt out of bed in the middle of the night, and Roosevelt replied: "Heavens

* Johnson's opinion of the Republican conferees, although not recorded until some months later in a letter to Roosevelt, is worth noticing. "I listened to Smoot's protestations of high regard for you and then his utterly insincere and transparent arguments against your nomination, and I looked at the others in charge of the destinies of a great people, and my heart was sick." Butler, Johnson added, was "repugnant to me, in his smugness and his hypocrisy."[21]

and earth, man, don't speak of it. Look what you must have been doing all these nights while I have been lolling around doing nothing."

When he heard about Roosevelt's suggestions, Perkins told Butler that they were simply ridiculous. He was now ready, as a last desperate measure, to try the radical strategy of nominating Roosevelt first. He proposed that the Progressives pass a resolution refusing to support Hughes, and then proceed to nominate Roosevelt. The Republican members of the conference committee could then recommend Roosevelt as the only alternative to defeat. "I want it distinctly understood that if we do that you are going to say to your friends that it was we who saved them [from Hughes] and that you are not going to hold it up against us for nominating our man first," Perkins said. There was little chance for such a plan but Butler agreed to submit it to his colleagues, and to let Perkins know their reaction before dawn.[22]

Perkins returned to the telephone. It was twenty minutes before five in New York, but Roosevelt had given up all thought of further sleep that night. They discussed strategy.

Perkins: I am sorry you mentioned Lodge. We are in the position, as it stands now, of not submitting any choice to those people except you. That is perfectly right because they have never submitted any one to us. They have suggested no alternative. Still, I don't like our record. Somebody might say that you should have suggested some one else. We could issue a statement outlining why you are our first choice and finally conclude . . . that if they prefer another man to you the only man we can possibly think of who could meet the exigencies of the foreign situation would be Lodge. My thought was that his mastery of foreign relations has been masterly. . . .

Roosevelt: I know Lodge's record like a book. There has never been anything against it at any time, except of course, George, that he does not have as advanced views as you and I.

Perkins: I think we could take care of that.

Roosevelt: . . . Do you want me to talk to Hiram Johnson?

Perkins: Not on your life; not for an hour or two.

Roosevelt: Then I won't say a word. I want to add this, if you will, George. Keep Hiram Johnson in touch with me so he won't fly off the handle and think I am neglecting him.

Perkins: Of course I'll do that, but at the right moment. Really, Colonel, this thing has got to be a perfectly open scandal here.

Perkins went from the telephone to rout Lodge from his bed and get his consent to the use of his name. Lodge had no illusions about his chances, but thinking that "it would at least tend to bring us together," he readily assented.[23] At the same time, Butler was conferring with his fellow committeemen in another room in the Blackstone. They decided to give up all hope of stopping Hughes. At nine in the morning they and the Progressive committeemen (with the exception of Johnson and Parker, who had angrily refused to participate further in what they knew were futile discussions) held their final meeting. The Republicans handed Perkins a paper suggesting Hughes as their "compromise" candidate. Perkins agreed to consult Johnson and Roosevelt. Meantime the latter had dispatched a telegram to the Progressive conferees formally suggesting Lodge as a compromise. When Perkins telephoned to describe the Republican suggestion, Roosevelt asked him to present this telegram to the Republicans as a countersuggestion.

"You understand, of course, that Johnson and Parker will not stand for the counter-proposition," Perkins said. "Perhaps we might just as well put it in as coming from you and not as coming from the Committee."

"Put it right in as from me, that's right," said Roosevelt, and he urged Perkins to stress again that if Hughes would not speak out on controversial issues he ought not to be nominated. "Now George," he concluded, "I want to take the chance to say that I am more obliged to you than I can say for the attitude you have taken. It has been perfectly splendid. You have put this thing just as clear as a bell."

Perkins returned to the committee with Roosevelt's recommendation, and William Allen White took over the phone. It would be impossible to prevent the Progressive convention from nominating Roosevelt beyond eleven o'clock, White said. He added that Johnson and Parker had refused to continue working toward a compromise. Johnson and Parker, said Roosevelt, were "completely and absolutely wrong" in their position. "Our people feel very strongly that they have got to nominate you," White said. Roosevelt held

out. He insisted that White, together with Bass and Garfield, who were also present, read his letter about Lodge before he would talk further with them. Then Garfield picked up the receiver.

Garfield: What we feel is this: That to present Lodge's name at this juncture would be considered by the country as simply a proposition on which there was no possibility of action, and that it would be better . . . for us to go forward and place your name in nomination. . . .

Roosevelt: I am very sorry but I have to insist that that letter of mine be given out at once. I shall give it our from this end immediately.

Garfield: White is now reading the letter and he may reach a different conclusion.

Roosevelt: I am awfully sorry but it is too late for me to alter my decision. Our conferees are to have that letter put before them at once. Will you ask McGrath to please come to me?

McGrath: Hello, Colonel.

Roosevelt: Hello, is that you Mac? Now, Mac, I want that letter, just as soon as they have finished reading it and without regard to the opinion of any human being, put before the conferees. . . . Do you understand?

McGrath: Yes sir.

Roosevelt: All right.

Walter Brown, a conservative member of the Progressive Executive Committee, then performed his stint at trying to persuade Roosevelt to change his mind, but without result. Perkins returned to the phone. Both Loeb and Cortelyou felt the Lodge letter should be withheld as long as the Republican nomination was in doubt, he said. No matter, Roosevelt replied. Loeb then spoke to Roosevelt directly; he could not move him. Cortelyou took over. If Lodge was nominated and lost the election, or even if Hughes was chosen and defeated, after the publication of the letter Roosevelt might be blamed. "All right," snapped T.R. "Let them charge up the defeat to me." Roosevelt rang off, while Perkins and the others continued to discuss the fateful announcement. It was ten-thirty; soon the conventions would again be in session. At ten-thirty-five Perkins made a last effort.

Perkins: Hello, where is Col. Roosevelt?

Servant: Col. Roosevelt is at the other telephone.

Perkins: Whom is he talking to?

Servant: He is talking to the newspaper men.

Perkins: Is he giving out that statement?

Servant: I don't know, sir.

Perkins: Well, run downstairs and find out quickly, quickly.

Servant: All right, sir. [Later] Please tell Mr. Perkins Col. Roosevelt is giving out that statement.

When Roosevelt returned to the private line Perkins had gone off to the convention. He talked instead with White and Robert Bass. Though they told him the Progressives were going to nominate him, he clung futilely to the idea that Lodge, a man "of the highest character" and "absolutely square on the issues of today," could be nominated. "Hughes," he added, "has shown himself in the most contemptible possible light."

"The only thing we can do," said Bass sadly, "is to place our nomination in your hands, to be held in trust and to do with as you see fit. . . ." Roosevelt said that would be a very heavy responsibility, but he agreed to think about it.

Both the Republican and Progressive conventions treated the suggestion of Lodge with the disdain that everyone but Roosevelt had expected. Almost at the same moment, shortly after noon on June 10, the Republicans nominated Hughes and the Progressives Roosevelt. The Progressive leaders hurried back to the Blackstone to talk with Roosevelt once more. Perkins expressed satisfaction that at least they had not compromised their principles. "I think you have done everything exactly right," Roosevelt told him. There was much discussion of the statement Roosevelt was preparing refusing to accept the nomination until Hughes had committed himself on "the vital questions of the day." He insisted that the National Committee should decide whether or not Hughes's statements were sufficiently "progressive" to eliminate the need of a third party, and after much argument he got his way. Actually, Roosevelt had already decided to support Hughes. Everyone recognized this, although no one put it in so many words over the telephone. Only John M. Parker, who was about to be named Progressive candidate for the vice-presidency, urged him to "get into this fight" and run on the Progressive ticket, and Parker did so obliquely.

Roosevelt professed to be undecided, but the truth slipped out during a talk with his son, Theodore Roosevelt, Jr. "I think we

want to be particularly careful, if we are going to support Hughes, as we probably will, that we say nothing that will reflect on him in our statements here," the younger Roosevelt said. "The statement reads as if you did not approve of Hughes. You don't of course." His father replied: "Of course I will support him, but I will not be responsible for him." In its final form, this statement simply pledged Roosevelt to consider the question further if the National Committee decided against Hughes.

Roosevelt was not dishonest, or even disingenuous, in these last conversations with his loyal friends. "If I wrote that . . . statement," he said in rejecting one proposal, "a good many fellows would go away thinking that I would run and I am not going to deceive them."[24] Everyone was really too weary by Saturday afternoon to be either entirely accurate or deeply angry. A little after three o'clock Roosevelt talked with the terrible-tempered Hiram Johnson. "How is the Honorable Hiram?" Roosevelt teased. "When I can do anything that concerns you in any way, I am all right," the Californian answered. Roosevelt told him that he expected "to go fishing" during the campaign. Johnson approved. "It would be a crime to ask you to run unless there is some great national thing that demands it," he said.

Right after the adjournment of the Progressive convention, the National Committee met at the Auditorium Hotel. A committee was set up to determine future policy. There was an election of officers for the National Committee. George W. Perkins was re-elected as chairman of the Executive Committee—unanimously.[25] Then, presumably, everyone stumbled off wearily to bed.

CHAPTER XVIII

AN ELEPHANT NEVER FORGETS

THERE were many angry men among the Progressive leaders after the collapse of their hopes in Chicago. Theirs was the anger not of righteous indignation but of frustration and impotence. They realized that Roosevelt would not run against Hughes (his official withdrawal came on June 22) and they felt cheated. But they were powerless either to reverse or to counteract his decision.

Perhaps Roosevelt was deceitful in delaying his rejection of the nomination until after the delegates dispersed. Had he refused at once, these excited and defiant Progressives might well have named another candidate, simply out of spite. Yet would any man of stature have accepted that empty honor?

For a time some Progressives declined to face reality. Hiram Johnson sulkily refused even to communicate with Roosevelt.* William Allen White was quoted in the *Nation* as suggesting that Roosevelt had allowed Perkins to buy the party. In letters he said he was "weak and weary, sick and sore," "without star or compass politically," and "up in the air and a mile west." The Massachusetts Progressive State Committee refused to support "another party's Presidential candidate" and a few other Progressive groups took similar positions. However, Johnson and White and a majority of their fellows eventually buckled down and worked for Hughes. Verily they did protest too much; their anguish was designed chiefly to soothe their own consciences.[1]

Those Progressives who went beyond talk and tried to continue the organization ended almost to a man by voting Democratic in November when their efforts failed. Wilson helped them along by

* "For some reason, when he was in New York, [Johnson] did not wish to see me," Roosevelt told one of his California friends.

pushing through progressive legislation they could not avoid approving: a new farm bill, a child labor law, and other measures.[2]

George Perkins accepted Roosevelt's decision and did his best to pacify the grumblers. He wrote to all the Progressive state leaders, and when the Progressive National Committee met in Chicago to act on Roosevelt's request that they endorse Hughes, he tried "to smooth things out a little." To such die-hards as vice-presidential candidate John M. Parker and Matthew Hale of Massachusetts, Perkins offered a compromise proposal: support Hughes but maintain the Progressive organization. They refused to consider this, but the full committee finally voted, thirty-two to six with nine states abstaining, to back Hughes, after a long and angry debate.[3]

Thus the Progressive party ceased to exist as a significant political force. Not wishing the organization "to end its days in any unbecoming fashion," Roosevelt thought it should be abandoned completely. When Parker began to campaign on his own, Roosevelt expressed sympathy for him but said that his attitude was unreasonable. As for Perkins, he returned from Chicago convinced that nine out of ten Progressives would vote for Hughes. Although he maintained his own registration as a Progressive, he did not believe party labels mattered much. It was more important to make sure that the Republicans conceded some influence to their Progressive allies and to progressive ideas.[4]

As was usually the case, the extremists used Perkins as a vessel to contain their outpourings of discontent. When he tried to arrange a meeting between Hughes and Parker, the latter was indignant. "I told him," Parker later recorded, "I had no business with Justice Hughes, but he insisted that I should see him anyway. I told him that, if I should see Justice Hughes at that time, every newspaper in the country would proclaim it as a big story. 'No one need know a word about it,' he answered. 'I'll slip you up the back way just as I did with Raymond Robins.' " But Parker would not soften, and, in the weeks after the convention, he, Hale, the Michigan State Committee, and a large bloc of New York Progressives led by Bainbridge Colby, all publicly accused Perkins of using "steam-roller" tactics to defeat them first at the convention and then at the meeting of the National Committee that voted

to endorse Hughes. Such attacks were no longer meaningful, however. The Republicans were ready to work with former Progressives, at least until after the election. Even "regulars" like Lodge of Massachusetts advised Hughes to allow for "ample representation of the Progressive element" on his campaign committee. On July 6 Perkins lunched with the candidate and his manager, William R. Willcox, to discuss this question. As finally established, the committee contained six Progressives, including Perkins, and eleven Republicans, of whom only five could be considered members of the Old Guard.[5]

The question of war and peace dominated the campaign, relegating domestic matters to the background. But Perkins was in frequent contact with Hughes, reminding him of how important it was to think about "what is going to happen in the industrial world when the war is over." Other nations were planning ahead, America was not. Hughes should stress this lack of foresight. Perkins also emphasized the fact that the Progressives had not abandoned progressivism in submitting to the Republicans. "We simply endorsed you . . . as an individual and not at all as the candidate of the Republican organization," he wrote.

As it turned out, Hughes was not a good campaigner. He failed to develop effective issues, and seemed unable to reach the electorate in a personal way. (The bitter and cynical Amos Pinchot met him in July and was reminded of a marble statue. "Five of us were at the interview," Pinchot wrote afterward, "and I think we all felt that we had made a grave mistake in not wearing our midwinter suits.") Perkins, of course, was but one of many who offered advice when the campaign went badly. After Hughes had made a disastrous swing through the West he suggested that it would be better to concentrate on a few major speeches than to continue stumping the country speaking at every whistle stop. Furthermore, Hughes's manager, William R. Willcox, was also a poor politician, and it was soon rumored that he would be replaced. Perkins came to his defense with statements praising his co-operative attitude toward the Progressives and attempting to explain away his failures, but the criticisms soon became brutally frank. "Chairman Willcox," one reporter wrote in October, "is amiable, well-meaning, grandmotherly and frequently is able to

find his way, without assistance, to and from his private office in the national headquarters. Beyond that it is advisable to draw the mantle of charity." Willcox's shortcomings impelled Perkins to take over a great deal of the organizational work in the East, while former Postmaster General Frank H. Hitchcock managed the struggle in the West.[6]

During the last weeks of the campaign, Perkins also attacked Wilson directly. When the President ridiculed the idea that the warring European nations might pose an economic threat to the United States once peace was restored, Perkins pointed to the spectacular voyage of the German submarine *Deutschland,* which had recently arrived in America with a $10,000,000 cargo. If Germany could produce goods for export during the war, she would compete even more effectively in peacetime, he argued. Perkins also derided Wilson's achievements in the field of corporation regulation, and charged shortly before the election that the President was deluding the people with hollow talk about peace and prosperity.[7]

Perkins's words were neither significant nor politically effective, even though this was one of the closest of all American elections. Wilson won by carrying California, where Hiram Johnson's Progressive organization was supposed to win the day for Hughes. Personal animosities growing out of Hughes's ineptness while campaigning there probably had more to do with the result than any issue or speech.

In many areas, Wilson undoubtedly drew valuable support from old Progressives. This happened largely because of their resentment at Roosevelt's abandonment of their party and at his method of campaigning, which almost ignored questions of reform. Furthermore, Wilson's new legislation and his aggressive appeals to former Progressives brought many to his side. But the swing of former Progressives to Wilson was probably not decisive. Past events had consistently shown that the left wing Progressives were a minority within the organization. And only the lesser left-wingers voted Democratic. Amos Pinchot supported Wilson (and drew upon his head Roosevelt's famous blast: "When I spoke of the Progressive Party as having a lunatic fringe, I specifically had you in mind"). But Gifford Pinchot, always a far more important figure, was for Hughes. So were Ickes, Garfield, Robins, Bona-

parte, White, and other Progressives from the anti-Perkins "radical" wing, including most of the Californians. Hiram Johnson did not like Hughes, thinking him short on "discernment or vision," and lacking "point and punch" as a politician. But he voted for him, and made a plausible case later for the argument that the Old Guard had been responsible for the loss of California.

Perkins did not show himself to advantage in the 1916 campaign, despite his excellent organizational work, which was highly praised. His criticisms of Wilson were intemperate and mostly beside the point. There was little sense and less profit in writing, as he did in a letter to the *New York Times* after the election, that the result was a "fluke" and attributable to "deliberate misrepresentation" by the President. For whatever motive, Wilson had moved a great deal closer during the campaign to the philosophy of government that Perkins had all along been advocating, yet Perkins reacted in a completely partisan manner. Close co-operation with the Republicans did not seem to improve his judgment or sense of balance.[8]

Smarting from their unexpected defeat, both the Republicans and the Progressives who had supported Hughes were thoroughly disgusted with their official leaders and ready to blame them for the loss of the election. A power vacuum had been created, and from the left and the right, elements rose to fill it.

On December 4, a group of six important Progressives met in Chicago to announce their abandonment of the Bull Moose. "Constructive progressivism may be best achieved through the republican party," Chester H. Rowell, Gifford Pinchot, James R. Garfield, Raymond Robins, William Allen White, and Harold L. Ickes announced. "But . . . the republican party must be thoroughly progressive in organization, leadership and principles." There should be a national conference of Progressives and Republicans to accomplish the necessary changes; meanwhile the Hughes campaign committee (whose six Progressive members included Rowell, Ickes, and Garfield) might serve as a temporary executive committe for the party. This was a bold bid for power. "The progressives are not suppliants or penitents," the statement concluded. "They are American citizens seeking justice and ready to fight for

it. The only harmony that is desirable or possible is the harmony of justice."

This conference was intended as a snub to Perkins, another effort on the part of the radicals to force him out of his position in Progressive politics. But if he understood their intentions, he blithely ignored them, professing to be completely in sympathy with their announced objectives. When Rowell came to New York shortly after the Chicago meeting, Perkins made him stay in Riverdale as his guest and arranged talks for him with Willcox and other local Republican and Progressive leaders. Taking up the suggestion of continuing the campaign committee, Perkins found a number of Republicans sympathetic to the idea. R. B. Howell, for example, one of the moderate Republicans on the Hughes campaign committee, told Perkins that the future of the party depended upon its reorganization along progressive lines. "Republican workers at last realize that . . . the country is progressive, and that unless the Republican Party can do something pretty speedily to corral the progressive vote it might as well say good-bye to its 1920 chances," Perkins wrote William Allen White. "During the campaign I became pretty well acquainted with a number of the Republican State Chairmen and other workers. . . . I believe they feel much more kindly to men like yourself, Robins and some of the rest of us than they did last Spring."[9]

One can imagine the feelings of politicians like White (who was now in league with the radicals and beginning to convince himself that he had always been as one with them) when Perkins appropriated their idea of liberalizing the Republican party. But Perkins pushed ahead. He urged Willcox to call a meeting of the Republican Executive Committee* in hopes that it would create some sort of joint Republican-Progressive group to direct the "new" Republican organization. When the committee was finally summoned to meet on January 15 in New York, Perkins was jubilant. Willcox also arranged a dinner for the old campaign committee to be held at Delmonico's after the Executive Committee meeting. Surely the Chicago proposal would be discussed at these gatherings and adopted in some form, Perkins reasoned.[10]

* All members of this group had been members of the Hughes campaign committee.

But matters did not proceed according to plan. The conservative members of the Executive Committee, led by James A. Hemenway of Indiana, were determined to weaken the authority of the ineffective Willcox. There had been some talk of forcing his resignation as chairman of the National Committee, but they were unable to muster the votes to do this. Although not impressed by Willcox's ability, liberals appreciated his friendly attitude toward the Progressives and would not abandon him for a reactionary, however efficient. When the Executive Committee met at the Century Club, however, the conservatives were able to elect John T. Adams as vice-chairman of the party. Adams had generally been classed as a moderate, but he was elected over the objection of Willcox by a solid bloc of Old Guard votes, and his election was a defeat for the liberal wing. The committee then proceeded to make friendly overtures toward the Progressives, for so long as they controlled it they had no desire to drive anyone from the organization.

Perkins learned of the plan to elect Adams from Will Hays shortly before the meeting. He sent word at once to Hemenway that the Progressives would consider this action "a distinct affront," and when this warning was ignored he and Everett Colby of New Jersey, another Progressive member of the Hughes campaign committee, withdrew their acceptance of Willcox's dinner invitation. They worked until two in the morning preparing a long statement denouncing the Old Guard and demanding that the full National Committee be summoned to "name some committee of management that will be representative of all elements . . . and that will give us some constructive leadership."[11]

This Perkins-Colby statement created a flurry of excitement. All the newspapers gave it extended coverage, and the Hemenway group, frightened by its forceful and uncompromising tone, promised again to work out some plan for giving former Progressives representation in party affairs. Perkins and Colby, however, categorically refused even to consider working with reactionaries. With his instinct for attracting attention, Perkins had their long statement printed, and circulated widely. The response was most encouraging. Quickly Theodore Roosevelt, Raymond Robins, and Hiram Johnson expressed approval. Within a week Perkins could

write proudly: "I have heard by this time from 95% of the leading Progressives, every one of whom has backed us up strongly." Meanwhile he continued to press Willcox to summon the full National Committee. But although the Old Guard was plainly shoving him aside, the ineffective Willcox was unable to bring himself to fight back. Nor would Willcox's friend Charles Evans Hughes try to help either him or the Progressives. "I am not in sufficiently close touch to express an opinion on the details of organization," he wrote Perkins.[12]

The high point of Perkins's counterattack came on January 18, when, after conferring with Roosevelt, he went to Albany to see Governor Charles S. Whitman. The Progressives had supported Whitman in the recent election; he was particularly indebted to Perkins, who had contributed over $50,000 to his campaign. Although a liberal, Whitman was a loyal Republican and as Governor of New York a powerful figure in party councils. After talkng with Perkins, he announced: "I told Mr. Perkins I was with him in the fight he is making."

Perkins then lashed out at the reactionaries on the Republican Executive Committee. "Why, their action was the most despicable in the history of the party," he said to reporters. Unless the National Committee were summoned, the Progressives would reconstruct their organization and fight more aggressively than ever. Actually, Perkins had no intention of trying to revive the Progressive party. He was already prepared to rejoin the G.O.P. formally; his public statements, therefore, were mostly bluff. And, unfortunately, he overreached himself.

In the first place a number of Republicans began to fear that Perkins was attempting to take over their party. Rumors circulated that he would run for Mayor of New York, even for Governor when Whitman's term was over. In Washington, Republican leaders rallied to the support of the Executive Committee. John T. Adams was from Iowa. On January 20, Senator Albert Cummins of his home state gave him a dinner at which liberal and Old Guard Republican Senators did him honor.[13]

On the other side, the radical Progressives were once more exasperated by Perkins's behavior. They had deliberately snubbed him by not inviting him to their Chicago conference, yet here

he was appropriating their idea, grabbing headlines, rushing into the fray just as he had done so many times before. They reacted quickly. On January 18 the New York *Mail*, a newspaper Perkins had once controlled but which was now owned by E. A. Rumely, published a six-column denunciation of his whole career as a Progressive. It contained nothing that men like Rumely had not already said to Perkins face to face, but to publish it in a newspaper was a much more serious affront. At about this time, the radical group met again in Washington. They decided that Perkins should have no part in any liberal revival they might attempt, an empty threat, since they were incapable of significant organized political activity at the time,* but one that reflected their anger and frustration over his activities. Gifford Pinchot complained directly to Perkins, provoking the latter to say to Roosevelt: "I doubt if I know any more contemptible character than this fellow Pinchot, unless it be his brother Amos." Raymond Robins came to New York to see Roosevelt about Perkins and to talk to Perkins himself. Medill McCormick urged Roosevelt to make Perkins take a less conspicuous part in the negotiations between Progressives and Republicans. "He has an incurable and, I think, unconscious desire for the center," McCormick said.† Even William Draper Lewis, who had generally been associated with the Perkins wing, now confessed that any attempt to rally Progressives to a movement closely associated with Perkins's name would be certain to fail. All these comments came from men who were at least nominally Republicans; the die-hard Progressives were even more outspoken. "Who gave Mr. Perkins the right to call himself a Progressive or to assume to speak for the Progressive Party?" Matthew Hale asked scornfully. And another "true" Progressive said: "He is no longer a part of the third party. Who would follow him back into the party which he deserted, and then tried to kill?"[14]

Finally, even Theodore Roosevelt began to feel that Perkins was overplaying the part of the leader; he should "on no account... put himself forward" in connection with the "Call" which the radicals

* At the Washington meeting this group proposed to issue a "Call" for a meeting of genuine radicals in April.

† McCormick also urged Perkins directly to cease being a "conspicuous spokesman" for progressivism.

were trying to issue, Roosevelt said. But Perkins did not pay much attention to Roosevelt. On January 31, he and Colby published another open letter to Willcox demanding that he summon the National Committee into session.

Perkins did try to quiet the liberal opposition by repudiating any personal interest in power. "I have never wanted to get mixed up in matters of political management," he wrote Senator Miles Poindexter. "My desires run in different directions, so no one need feel that I am making this fight because I desire personally to get control of any political machinery or anything of that sort." Such talk was not very convincing.[15]

At this point outside forces intervened. On February 3, spurred on by her resumption of unrestricted submarine warfare, Wilson announced that he had broken diplomatic relations with Germany. Partisan politics were naturally subordinated in the resulting rush to prepare for war. On February 10, Willcox finally replied to the repeated demands of Perkins and Colby. Harmony between Progressives and Republicans was important, he said. A committee had already been named by the Republicans "to consider a plan for giving proper recognition" to all factions. Later in the year there would in the normal course of events be a meeting of the National Committee. But the nation was now on the verge of war; everyone must stand by the President. "I am sure, therefore," Willcox concluded, "you will agree with me that this is not the time for calling the National Committee together."

Of course Perkins had to agree. "I think Willcox has acted wisely and put the matter in about the best shape he could," he wrote to Hiram Johnson. He did not change his opinion of the Old Guard. Before February was over he was complaining again to Willcox that "the men who dominated the Executive Committee . . . have not the slightest intention of doing anything but affront the Progressives," and a month later he was objecting to the way Johnson, now a Senator, had been slighted in the assignment of committee posts. "It is inconceivable, Willcox, that men can go on, and continue to be as perfectly stupid as are the half dozen men who are engineering all these things," he said.[16]

But by this time Perkins's career in politics was almost over. Under wartime conditions he really had little to contribute to

politics. He had come to progressivism with one big idea that had developed out of his long experience in business. He had taken a position within the liberal movement and fought with all his varied talents to advance this idea. But in 1916 the issue of government regulation of corporations, while by no means resolved in America, was not being actively debated. To the discussion of other issues Perkins had relatively little to offer. He campaigned vigorously against Wilson and professed to believe that a Democratic victory would ruin the national economy, but he did not make much of a case for his opinion. He might say he had "never wanted to get mixed up in matters of political management," but increasingly he had done so. Between January and December, 1916, he made only one speech on the economic issues that were so important to him. He had talked a great deal about Progressive principles but without enunciating them in a lasting and meaningful way. More and more he spoke like a politician—an honest and generous and hard-working one—but still a politician. In the fight over the Adams appointment, though justified in saying that the conservatives had captured a political advantage by tricky means, he should not have made an issue of the situation. The usually immoderate and often unrealistic Harold L. Ickes was absolutely correct in claiming that Perkins had foolishly turned a small matter into a big one by the flood of publicity he had loosed upon it.[17]

Actually, by the spring of 1917 Perkins was concentrating on matters relating to the Great War. In December, 1916, Governor Whitman had appointed him chairman of a committee to study the problem of food prices in the state. Since he was already head of Mayor Mitchel's Food Committee in New York City, this appointment made him the leading figure in the developing fight for the control of market conditions in New York.

Holding down food prices in wartime was no easy task when considered merely as a problem in economics. Its political ramifications made it still more difficult. Inevitably differences arose between producers and consumers, which in New York meant conflicts between the metropolis and the rest of the state.

Aware of these complications, Perkins tried from the start to understand the farmers' side of the question and to reach them

with his own arguments. In mid-December he invited the mayors of some twenty upstate communities to a conference on market control. He also joined forces with State Senator Charles W. Wicks, chairman of a committee investigating the dairy industry, to prepare a "Joint Report on Foods and Markets" released on January 1, 1917. This report recommended the creation of municipal market departments, and a stronger state organization.[18] Perkins campaigned all over the state and used every avenue of communication in behalf of this program. On January 4 he was in Schenectady persuading the New York State Mayors Conference to endorse his report. On January 7 an article of his on the food question appeared in the *New York Times Magazine*. A few days later he gave a dinner at the Biltmore Hotel for a large group of food experts from other states.[19]

As the United States moved closer to war with Germany, the food issue grew increasingly important. On February 10 President Wilson ordered the Federal Trade Commission and the Department of Agriculture to make a nationwide study of food prices. On the fifteenth, the New York legislature finally began formal consideration of the Wicks-Grant bill, which embodied the recommendations of the Joint Report. But the farmers of New York were opposed to the bill. It was badly weakened by amendments. Even the outbreak of war did not destroy the opposition. As finally passed in June, 1917, it simply created a Council of Farms and Markets which centralized the functions of several already existing organizations without adding to their powers. Governor Whitman signed this measure, but immediately summoned the legislature into special session to consider further action. In July there were hearings on a new food control bill, and a long wrangle developed that lasted until late in August. Finally, on August 24, the opposition gave way and both houses of the legislature approved a measure creating a powerful three-man Food Control Commission, with authority over the distribution of food and certain other necessities. Both hoarding and the limitation of output were declared unlawful, food-processing and storage plants were subject to regulation, and local governments were authorized to buy and sell food and fuel in order to stabilize prices and counteract local shortages. The Commission could even compel common carriers to give preferen-

tial treatment to shipments of foodstuffs and other necessities.[20]

While this long struggle was taking place, Perkins continued to fight high food prices in his capacity as head of the Mayor's Committee. Within two days in April, he distributed thirty thousand copies of a "Garden Primer" to prospective city "farmers." He made speeches and wrote articles stressing the importance of attacking the food problem through the co-operative efforts of all concerned. Although farm groups accused him of seeing only the consumers' side, as early as April, 1917, he had suggested that the federal government guarantee minimum prices for staple crops in order to encourage production.

Perkins was also working to reduce the cost of food to New York's consumers. Late in February the city had been rocked by a series of food riots. On the twentieth, a crowd of four or five hundred women from the lower East Side slums demonstrated against high prices in front of City Hall. They were dispersed by a squad of mounted police. That evening a mob of five thousand or more jammed an East Side auditorium, where plans were laid for a march of 500,000 women on Wall Street. No such march materialized, but there were smaller demonstrations in other parts of the city, and elsewhere in the United States, on succeeding days.[21]

At this point Perkins began to buy food in bulk and transport it to New York. On February 24 he announced the purchase of four million pounds of rice and of several carloads of Pacific Coast smelts. The rice was held in storage to forestall a possible rise while the committee began to advertise it as a substitute for potatoes, which were selling as high as twelve cents a pound. The smelts were purchased at four cents a pound from the Glacier Fish Company of Tacoma, Washington. During the first weeks of March, when smelts were running on the West Coast, over 100,000 pounds of these fish were sold in New York at six cents a pound under the auspices of the Food Committee. Atlantic smelts were then selling at about eighteen cents. Perkins's price to retailers was four and a half cents, so he probably lost a few dollars on the transactions, which involved a great deal of correspondence and some waste through spoilage and short-weight boxes.

Perkins also brought half a million pounds of Brazilian brown

beans and 280,000 pounds of hominy into the city. The committee distributed large signs for display in stores that sold all these items at low fixed prices, and encouraged the people to purchase "these . . . healthful foods that can be used in place of higher priced ones."[22]

The energetic, novel, and well-publicized work that Perkins carried on coincidentally with the legislative fight over new state controls tended to make him the central figure in that controversy. He had many enemies. His support of Mayor Mitchel had not endeared him to Tammany Hall Democrats, nor had his role in the Progressive party improved his reputation among conservative Republican members of the legislature. Farmers resented him, both as a "city man" and as an official of the "harvester trust." One of the chief reasons for the protracted fight against Governor Whitman's food program in the legislature was the fear of many members that the Governor would make Perkins a "food dictator" once the new powers of regulation had been approved. "The farmer won't tolerate Perkins," Samuel Fraser of the New York Federation of Farm Bureaus announced on August 14. "That's all there is to this fight against food legislation. Perkins has demonstrated time and again that he does not know farming and is not familiar with its situation and problems. He is too much of an aristocrat anyway."[23]

Since so much of the opposition to the food bill seemed to be directed at him personally, Perkins decided, shortly before the showdown vote, to place his view of the situation before the people. On August 18 he published a half-page advertisement in all the metropolitan newspapers. In bold black type he outlined the principal features of the bill and charged that "a ring of unscrupulous speculators" was fighting it for selfish reasons. *"The talk that I am anxious to be Commissioner of Markets is nonsense,"* he added.

Two days later he carried his message to the farmers in a full-page advertisement in 115 upstate newspapers. "I may have been called a good many names in the past twenty years, but I have never been called a fool," his statement ran. "A man certainly would be a fool to stand for any food programme that omitted the welfare of the farmer." The food bill would restrict the middleman, not the

farmer, he insisted. And he repeated his charge that the real foes of the bill were unscrupulous and selfish speculators.

Evidently these appeals had some influence. Many upstate papers commented favorably, and came out in support of the bill. In any case, its prospects suddenly seemed to improve. There were rumblings of protests against the leadership in the legislature. When the popular new national food administrator, Herbert Hoover, sent Governor Whitman a telegram stating his belief that an effective national food program depended upon the passage of state laws of the type New York was considering, the bill's supporters took further hope.[24] Quite abruptly the opposition broke down and when the bill passed on August 25, it commanded large majorities in both houses.

The exhausted legislators then adjourned until September 6, but when they returned to their labors Governor Whitman submitted his nominations for the three Food Control Commissioners. They were Charles Weiting, a former state commissioner of agriculture, Jacob Gould Shurman, President of Cornell University, and, for President of the Commission, Perkins. At once the wrangle of the past weeks was resumed. Those who were opposed to controls were determined to prevent Perkins's nomination from going through.

Perkins was understandably irritated by the campaign against him, and he decided to fight back. "I have been lied about and misrepresented by the food pirates," he told reporters. "I am going up-state to talk straight to the people." On September 14, he spoke at the State Fair in Syracuse.[25] Continuing his campaign, Perkins spoke at the Genesee County Fair at Batavia and the St. Lawrence County Fair at Potsdam. According to newspaper reports, the farm audiences appeared to sympathize with his arguments. Observers were now predicting that the Senate would confirm him; in several upstate primary contests foes of food controls were defeated by supporters of Governor Whitman.

Perkins's opponents naturally resented his vigorous campaigning in his own behalf. The fact that he had stated repeatedly that he did not want to be Commissioner and would serve only out of a sense of duty, was dismissed as mere hypocrisy. While speaking at the Batavia Fair on September 22, he clashed with the lobbyist Samuel Fraser, who charged that Perkins made unfair use of his

wealth by publishing his side of the issue in huge advertisements that his adversaries could not match. Without hesitating Perkins replied that he was willing to pay for space in every newspaper in the state so that Fraser could express his reasons for opposing him. Fraser accepted this offer, and on September 27 some 141 New York newspapers carried a half-page statement explaining why "the farmers of New York" were opposed to Perkins's nomination. The cost to Perkins was $25,000.

This gesture probably paid higher dividends to Perkins than to his enemies. Fraser's charges (that Perkins did not understand farmers' problems, that he was disqualified by reason of his connection with International Harvester, that his use of large sums of money was evil, that the Governor had nominated him to repay a political debt) had all been made before, and far more effectively. "As a matter of justice," the *World* commented in disparaging Fraser's attack, "the farmers' representatives should be required to attack him again and pay the bills, or turn the whole job over to Mr. Perkins and have it done well." The story that he was bearing the cost of Fraser's blast was itself a news item of some importance, and one that portrayed Perkins in a favorable light. Furthermore, Fraser's attack could be answered; Perkins's reply drew additional attention to his own arguments, and it was printed in all the papers as news.

A *New York Times* summary of editorial opinion all over the state now showed wide support for Perkins in the rural press. But the Senate would not yield. The key vote came on October 2 when the Republican caucus voted sixteen to fifteen not to make the nomination a party issue. In the full Senate, Perkins was then rejected by a vote of twenty-five to twenty. Whitman had to abandon the fight; he named labor leader John Mitchell to the post.

Perkins angrily blamed his defeat on the "worst element in the food traffic in this state," and on the Dairymen's League.* He was particularly bitter about the thirteen New York City Senators, most of them Tammany Democrats, who had voted against him. These men, he said, had "grossly betrayed their constituents."[26]

* Perkins had advocated that the City of New York take over the distribution of milk, and had criticized the wasteful and sometimes corrupt methods used by milk companies in the city.

Before he abandoned politics for the duration, he had one more battle to fight with the Old Guard. On Lincoln's birthday, 1918, the Republican National Committee was to meet at St. Louis to choose a new chairman. The Old Guard had long since settled upon J. T. Adams of Iowa for the post, and every sign indicated that Adams would be easily elected. He was efficient and hard-working and ready to devote full time to the chairmanship. Although supported by reactionaries, he was not himself an extremist, and the Iowa Senators, both liberals, were supporting him. Moderate Republicans like Senator John W. Weeks of Massachusetts and former Progressives like Harold L. Ickes believed that since his election could probably not be blocked it would be better to submit gracefully to his name in the interest of harmony.

Perkins, however, was determined to defeat Adams. He noted that on January 24 a subcommittee of the Republican Executive Committee had met in Washington to discuss giving representation to former Progressives. The group had voted five to four to invite the six Progressive members of the Hughes campaign committee to the St. Louis meeting, but Adams had sided with the minority. If he were elected chairman, the Old Guard would remain in control. Furthermore, if Adams were chosen it would seem to condone the disgraceful way in which he had been elected vice-chairman a year earlier. Perkins therefore prepared to go to St. Louis, conferring with a large number of politicians and writing letters to others in an effort to rally the opposition. Officially he had no candidate of his own, but he was eager to support Will Hays of Indiana, who had the endorsement of Theodore Roosevelt and many other former Progressives.[27]

On the eve of the meeting, the possibility of defeating Adams seemed very remote. Senator Murray Crane of Massachusetts, perhaps the most reactionary of the Old Guard leaders, was so certain of Adams's election that he did not even bother to go to St. Louis. Talking with Henry L. Stoddard at breakfast one day in New York, Crane said: "What is the use of stirring up all this muss about the chairmanship? Perkins cannot defeat Adams. . . . We have from 36 to 40 sure votes." Even the belligerent Hiram Johnson took the attitude that since the reactionaries were bound to do as they pleased, it would be futile to argue with them. "If

they see fit to ignore our people, I don't know that it will be a particularly great calamity anyway," he wrote Perkins. Adams was so confident of victory that in a harmony move of sorts he sent Roosevelt a copy of his acceptance speech nearly two weeks before the meeting and asked him to suggest any changes that might seem appropriate.[28]

But Perkins, in his stubborn refusal to surrender, was ready to grasp at any weapon that came within reach. When Walter Brown of Ohio, an associate of James R. Garfield, came to him shortly before the St. Louis meeting with the rumor that Adams had been "very pro-German" in the period between 1914 and 1917, Perkins asked him to send someone to Iowa to investigate. Then he set off in a private car with retiring Chairman Willcox and a few other friends for St. Louis.

Arriving in that city, on February 10, he released a statement calling for harmony, but demanding at the same time that men "who are looking forward and not backward" be put in charge of party affairs. Almost at once a stream of politicians began to file in and out of his quarters at the Planters Hotel. Once again he had assumed the leadership of the "progressives," this time with little opposition from the left, which was heartily in sympathy with his position.

But Adams had been on the scene ahead of him, and claimed to have the pledges of thirty-two of the fifty-three members of the National Committee. Then, on the morning of February 11, Perkins received a telegram from Everett Colby, sent from Waterloo, Iowa.

CANNOT GET YOU ON TELEPHONE. HAVE HEARD FROM DIFFERENT SECTIONS OF THIS STATE THAT ADAMS IS PROGERMAN. WHATEVER THE FACTS HIS ELECTION AS CHAIRMAN UNDER THOSE CIRCUMSTANCES SHOULD BE OUT OF THE QUESTION.

Later in the day the man Brown and Perkins had sent to Iowa reached St. Louis with a copy of a letter Adams had published in the Dubuque *Telegraph-Herald* in September, 1914. Written in Berlin shortly after the outbreak of the war, this letter accused the Allies, a "gang of devilish conspirators," of issuing "lying and misleading" reports. Britain's Sir Edward Grey was an "arch

hypocrite." France was full of " 'bloody shirt' politicians," whereas the Germans, "from the Kaiser himself to the humblest citizen," were peace-loving, cultured, and industrious. Belgium had been invaded because "France had intended to march her troops through Belgian territory in order to flank . . . the German army." In addition, another news item from the *Telegraph-Herald* connected Adams with a peace rally in the spring of 1916.[29]

There was no hint in these papers that Adams had been disloyal. But during wartime, such comments clearly made him "unavailable" for a political office like the chairmanship of a national party. "As soon as we read these two documents, we became convinced that it would be utterly impossible for the Republicans to choose Mr. Adams," Perkins recalled a few days later. Perkins and Brown then asked Senator William M. Calder of New York to present the documents to the Executive Committee. When he did so, Adams admitted their authenticity, but angrily denounced Perkins. "Having failed in every other effort . . . George W. Perkins has undertaken to cast doubt upon my Americanism," he said. Adams added that he was descended from nine generations of New Englanders and was utterly loyal to the United States, had served on the Iowa Council of National Defense and, since April, 1917, done everything possible in behalf of the war effort. "My friends on the Committee will not be stampeded by would-be dictators," he predicted.

Adams's friends did stand by him. When the National Committee met it postponed action for twenty-four hours so that the Adams men could regroup their forces. Mayor William Hale Thompson of Chicago announced in his favor, dismissing the newspaper items as of trivial importance. But Perkins, now pursuing his wounded foe relentlessly, urged Senator Calder to protest against even the submission of Adams's name for the chairmanship. Calder should threaten to make public the names of all members voting for Adams, he said. "For the Republican Party on Lincoln's Birthday . . . to refuse to take the most drastic possible methods to punish such an offender as Adams has been would be nothing short of an eternal disgrace to the party of Washington, Grant, Lincoln, and McKinley." The force of Perkins's position could not be resisted. On the morning of February 13, Adams

capitulated and offered to nominate Will Hays himself. Hays was then elected unanimously.[30]

One must sympathize with Adams and condemn the cruel and relentless way that Perkins exposed his past while tempers were hot amidst the passions of war. It does not excuse Perkins to point out that others had asked Adams about his views and been assured that he had never taken a pro-German position, or to add that if he had been elected chairman the Democrats would most assuredly have ferreted out that letter to the Dubuque paper and used it effectively against the Republican party. Perkins later claimed that he was not responsible for *publishing* the letter, and that it was leaked to the *New York Times* by a member of the party Publicity Bureau without his knowledge or permission. He also claimed that he did not dislike Adams, and he said that he had gone to the Iowan after the election of Hays "and spent about half an hour with him in a general and pleasant conversation."

But surely Adams left St. Louis with a feeling of deep hostility toward his tormentors, and his friends must have been only slightly less angry. There were rumors in the newspapers that the price exacted by the Adams men for their support of Hays had been the banishment of Perkins and all the ex-Progressives from party counsels. Perkins denied this; Progressive victory had been complete, he said.[31] For the short run, he was probably correct enough. Right after his election Hays told John McGrath: "I know who my real friends were in this situation and who it was that made it possible for me to be elected Chairman, and will not forget it." A kind word from Roosevelt, at this time, Hays later recalled, "heartened me more than any other I received." Publicly he announced an "open door" policy of friendliness to all Republicans, "no matter what position they took in 1912."[32]

Yet the apparent harmony behind Hays's election was misleading. In 1920 the Old Guard was again to dominate the party. However, when the time came for Warren G. Harding to lead the Republican party victoriously back to "normalcy," Perkins was no longer on the scene.

CHAPTER XIX

THE RED TRIANGLE

ON January 31, 1918, Perkins celebrated his fifty-sixth birthday. He was no longer a young man and he no longer looked younger than he was. His hair was thatched heavily with gray at the temples, and his features had softened and been rounded by the years. He had always been a family man, but after leaving Morgan he became even more deeply attached to the comfortable way of life he had developed at Riverdale. Gradually he had expanded his holdings, buying first a place for his stepmother, and then the imposing fieldstone mansion of William H. Appleton, the publisher, where Thackeray, Spencer, Thomas Huxley, and Mark Twain had visited. His own residence, called "Glyndor," he had designed himself, spending hours planning the arrangement of the rooms and then calling in Grant LaFarge the architect and telling him to "put an outside around it." The result was aesthetically unrewarding, but perfectly suited to his needs. A large porch almost completely surrounded the place, and one corner, next to a great wisteria vine and overlooking the Hudson, was his particular niche. He had a comfortable hammock strung up there and used to like to stretch out in the evening simply to admire the magnificent view of the river and the Palisades.

He liked to drive out from the city after work, eat a big dinner, and then spend the evening devouring the newspapers, or else playing four-handed double Canfield with Evelyn and the children. Usually he was in bed at a decent hour. Aside from the papers and an occasional detective story, he seldom looked at a book. On Sundays he passed the plate at the Riverdale Presbyterian Church, and if the weather was fine took the family driving in the afternoon. His family was everything to him; when the children began to

receive invitations to visit friends over weekends, he hated to see them go. "Have your friends here," he used to say. He refused to let Dorothy go away to boarding school because he felt that she should be on hand as much as possible, and he had a violent prejudice against the game of golf because, he said, it kept men away from their families on weekends.

Sports and outdoor life appealed to him, but as an observer rather than a participant. He built a swimming pool but never learned to swim, possessed a tennis court and a bowling alley without ever making use of them himself. Probably he invested in these installations simply to make sure that the children would stay at home where he could enjoy them. He would watch the tennis for a while and then wander off contentedly to plan a new path or orchard with his German gardener. It seemed to the children that he was always organizing some group activity. When he went to Alaska for Morgan in 1909, he made a great expedition of it. Everyone must go, including many of the children's friends, and even the family doctor.

In maturity Perkins had no more interest in society than when he first came to New York, but within a small circle of friends he could be gay and fun-loving. His daughter recalls that one time (it was when fashion demanded that young ladies wear their hair piled in great masses high on the head) he persuaded her to come to dinner with her hair drawn tightly back in a bun with her ears showing, simply to astonish some young guests. Once, when the superpatriotic Beveridge was visiting over the Fourth of July, Perkins rose at five in the morning to set off a string of Chinese firecrackers under Beveridge's bedroom window. One of the best-remembered affairs in Riverdale was Perkins's "Going Out" party celebrating his retirement from business. He greeted fifty or sixty guests dressed like a debutante and carrying a bouquet of vegetables.

Evelyn Perkins also cared little for activities outside the family. When some great occasion demanded it, she would dress up and go to New York, and she was beautiful in a ball dress, but she hated these formal affairs. She was reserved, diffident, hard to get to know. Her husband was the center of her life. Of her children George was the favorite; poor Dorothy often felt that her mother

merely tolerated her existence. Evelyn loved flowers, but her only hobby was sewing. (George could never understand why she would labor for days redesigning a new hat. "Can't you *pay* someone to do that?" he would ask in exasperation.) But he had a good deal of respect for her judgment, and invariably consulted her before making major decisions.[1]

Perkins had always been unusually close to his son George, whom he treated very differently from the way his own father had treated him. He was full of warm affection for the boy, and able to display this without any nuance of possessiveness, unsought advice, criticism, or domination. Here are some excerpts from letters to George; they make an interesting comparison with those from the original George Perkins to *his* son:

June 6, 1913: Few fathers are as entirely free from concern of every kind regarding their son's first year away from home and at school as I have been. At the same time, few fathers could have been more ambitious for their sons. . . . I heartily thank and congratulate you on the happy outcome and just by way of expressing my faith and confidence in you, I enclose five thousand dollars worth of Harvester notes that are to be yours to do with as to principal and interest, as you please.

March 19, 1915: Firstly then permit a word of fatherly advice. Do not try and show the young lady how fast you can drive the car or how close you can some to something on your . . . trip next Thursday!! Being now something of an expert on "near accidents" . . . I feel that you will have *some* respect for my "fatherly" advice!

May 2, 1916: It is mighty seldom that a father can say to his boy on the day he comes of age that he has never caused his father an hour of serious concern or anxiety. . . . As we pursue our joint journey my fondest desire is that we may, as men, be as good pals as we have been in the past.

November 17, 1916: The New York Times this morning states that a senior by the name of Perkins . . . has been elected President of the [Princeton] Senior Council. Will you please inform me whether this is the same Perkins whom I, as Chairman of Mayor Mitchel's Food Supply Committee, have been furnishing with apples? If so, I am glad

that somebody by the name of Perkins can win an election. Heartiest congratulations.

October 22, 1917: Please never let the thought that I am busy or have my own problems prevent your telling me of things that bother you.

October 15, 1918: I would like, very much like, to have you ponder over my problem & I'll think of yours. I fully appreciate that you are young and I am not, but we understand each others main desires—i.e. to be helpful—and having the same general aim we should be able to help each other.

Upon being graduated from Princeton in 1917, George married Katherine Trowbridge, daughter of the head of the Princeton physics department. He entered the Army, and eventually was shipped overseas. His wife, who was by this time expecting a baby, remained with her family in Princeton. Perkins was very fond of his daughter-in-law. Whenever he received a letter from George, he telephoned to tell her its news. On one occasion he learned that she had received four letters from George to his one. "I asked her," Perkins wrote George a few days later, "if she thought it indicated that you loved her four times as much as you loved mother & me!! Is it not strange how many ways, and all strong ways, one can love and care for people? I have often thought of it in connection with you & Dorothy, and Evelyn, and my mother, and Emily." And then he added: "Do not think for an instant that I am jealous of K. Not a bit. The more you worship her the more I'll approve your judgment!"[2]

As the time of Katherine's confinement drew near, Perkins telephoned Princeton almost daily. Despite his busy schedule he must have been rather lonely. His daughter Dorothy, now Mrs. Edward Freeman, was living in Oregon, and Mrs. Perkins had gone there for a visit. Alone in the big Riverdale house, Perkins asked Katherine to come for a visit. She was scheduled to arrive on Monday, September 30, but that afternoon her mother telephoned to say that the girl had a cold and was going to stay in bed. Next day she had a slight fever, but on Wednesday her temperature was normal and she was feeling better. On Thursday, however, the fever returned and she was very ill. Mrs. Trowbridge became concerned;

her husband, now in the Army, had just been shipped overseas. She called Perkins for help in locating a nurse. She had not been able to find one in Princeton owing to the wartime shortage, which had been made still more acute by an epidemic of influenza.

Perkins found a nurse and also a doctor and drove them down to Princeton. Katherine's temperature was 103, and the local doctor reported signs of congestion in one of her lungs. She had pneumonia. Perkins put aside all his work and remained at the Trowbridge home in Princeton. Like a general directing an army he prepared to do battle with the disease. He sent for a second nurse, and for another New York specialist. He commandeered tanks for oxygen, just in case they might be needed, and all sorts of other medical supplies. By Saturday Katherine's condition was such that Perkins felt he must try to communicate with George, who was at an Artillery School in Samur. Because of the war, messages were slow of transmission and very uncertain of delivery. Perkins, in an attempt to avoid confusion, carefully numbered each of four cables that he sent George over the weekend. He also wired his wife Evelyn at Portland and she left for New York by train at once.

For a time Katherine seemed to rally, but her condition remained serious, complicated as it was by the fact that her baby was due in less than two months. Quite suddenly, at three o'clock in the morning on Monday, October 7, she took a sharp turn for the worse. Three hours later she died.[3]

It was perhaps an even more terrible blow for Perkins than for his son, who did not have to watch impotently the poor girl's last struggle. "We have lost the fight," the father wrote, "and it is so hard to accept the loss. How perfectly small and useless all my other fights seem. If I could only have won this *one.*" Yet shattered as he was he did not neglect his responsibilities. He called in Mary Kihm and in a broken voice began to dictate cables and telegrams. "I never saw him look so ill and bowed with grief," said Miss Kihm later. "If it had been George himself he could not have felt worse." He cabled George at Samur and also care of Morgan, Harjes in Paris. He also cabled the Morgan office in Paris itself, asking that it do everything possible to see that the word reached his son, and suggesting friends in the Paris area who

might take on the sad task of telling him. He sent messages in an effort to track down Major Trowbridge, who was still on the high seas and whose whereabouts were naturally cloaked in military secrecy. Mrs. Perkins was en route from St. Paul to Chicago that morning. Rather than telegraphing to some way station, Perkins telephoned a relative in Chicago and arranged to have her meet the train. He also asked his wife's sister to hurry to Chicago in order to accompany her on the lonely journey to New York and Princeton.[4]

Perkins poured out his grief in a long series of letters to his son. The tragedy led him to reflect upon the meaning of life and death, to re-examine his whole career, and to look ahead with an altered point of view. "I feel as though a great line or deep mark has been made in my life," he said. Not normally an introspective man, he expressed his thoughts with difficulty. On paper they looked clumsy and rather trite. But the depth and sincerity of his feelings were not disguised. "Do you know, George, that often in recent years I have dreamed & wondered if the human race may not be on the verge of a glimpse into another world," he wrote. "It cannot be that women with Spirits like my mother and your dear wife can die. . . . Each hour I say to myself more & more often, that there *must* be a plan in it all." Too often of late, he had allowed the pressure of day-to-day activities to crowd his appreciation of fundamentals into the background, he felt.

> As business and the family came I can see now that I gave less deep thought to religious matters. Not that I believed any the less but . . . that I sort of accepted my boyhood training and well rooted faith as an accomplished thing. . . . *Often* in the past I have taken myself to task for not talking more openly to you children on religious matters. In this respect I have not at all been the kind of a father that I should. I have neither done the fair thing by you and Dorothy nor been a credit to my own mother & father.

He resolved to recast his whole existence, although he was not yet sure what form his new life should take. "When this war is over it looks to me as though I would be looking for a new start," he said. "I suggest that you do not fix your mind on a future policy until we can compare notes." Then he added with his typical con-

sideration for George's independence: "When you do decide you can count on my backing what ever it is—be assured of *that*."[5]

Meanwhile he was obsessed with the idea that he must get to France at once to comfort George directly. He had been deeply involved in a great fund-raising campaign for the United War Work Council (a combination of Protestant, Catholic, and Jewish agencies charged with providing recreational and spiritual services for the doughboys), and as soon as the drive was successfully completed he prepared to sail.

Perkins had been caught up in the activities of the Council because of his lifelong interest in its most important member organization, the Y.M.C.A. The connection between the Perkins family and the Y.M.C.A. had always been intimate. Perkins's father had helped found, at Buffalo in 1852, what was only the second branch of the Association in the United States. As early as 1901, Perkins was a national director of the organization. A year later he gave the Buffalo branch $25,000 in honor of his father. In 1908 he became chairman of the New York City Y's Finance Committee and in 1913 he ran its $4,000,000 fund-raising drive. Especially after 1910, he supported many Y.M.C.A. activities. The work of the Industrial Department naturally attracted him, and he also gave the International Committee both regular annual contributions and special gifts, such as $50,000 toward the construction of a building in Manila, and $25,000 for the Tokyo branch. In addition, he supported the organization's race relations work, its student program, and several other of its activities. On the average, in his later years, Perkins gave about $100,000 a year to the Association.[6]

The United War Work Council drive had been conducted under very difficult circumstances. There was rivalry and bad feeling between the different religious groups, and the collapse of the Central Powers in October, 1918, forced the scrapping of countless posters and circulars and the reorientation of the whole appeal around postwar needs. Perkins had been originally against a joint drive, but he was philosophically predisposed toward co-operative ventures. Once engaged, he became very enthusiastic. The interfaith aspects of the campaign seemed particularly important. Working with Jewish and Catholic leaders, he reminded John R.

Mott of the Y.M.C.A., offered a "great opportunity . . . for removing many of the narrow prejudices that have existed through all the years between different religious bodies." To George he wrote: "Wouldn't it be a miracle if, as the outgrowth of this war, a lot of narrow views and old time prejudices which have existed through all these centuries in religious work, can be in a measure gotten rid of?"[7] When the campaign came to a triumphant close after having raised more than $200,000,000, he was overjoyed.

Perkins's official excuse for going to Europe was to study the work of the Council organizations in the field. Together with two colleagues, Mortimer Schiff and Fletcher S. Brockman, he went first to England, where welfare activities among the troops were no longer of major importance now that the fighting had ended, and then to France. He arrived in Paris on December 18.[8]

But his main concern was first to see George, who was now stationed with the Sixth United States Field Artillery outside Coblenz. After fruitless delays while George tried to arrange a leave, he went to Coblenz himself, combining a survey of the Council's work in Germany with the long-awaited reunion. Naturally it was a fond one, and Perkins was greatly revived in spirit. Furthermore, his experiences in Coblenz clarified many of the problems he was studying. The soldiers, he quickly learned, cared little for educational programs or spiritual guidance. They were "desperately anxious to get home" and wanted only entertainment and distraction from organizations like the Y.M.C.A. while awaiting transportation back to America. Perkins helped to arrange for bringing troops from remote camps on one-day excursions to Coblenz, and for the distribution of forty thousand copies a day of English language newspapers: the Paris *Herald* and the London *Daily Mail.*

His arrival in Germany corresponded with the peak of a wave of soldiers' criticisms of the Y.M.C.A. that was of great concern to Association officials in Europe and America. On December 19, for example, Mott had been forced to issue a denial of the charge that Y.M.C.A. canteens in Europe had been operating at a profit. Reporters with the Army in Germany were full of stories of soldiers' complaints, and when Perkins entertained the Coblenz press corps and a few officers at an informal venison dinner, they

told him frankly what they knew. As Damon Runyon, one of the correspondents present, put it: "There was probably more candor spread over the premises than there has been in this part of Germany in the last 20 years."

Their comments were ably summarized by Edwin L. James of the *New York Times,* who used the occasion of Perkins's visit to write a long dispatch on the Y.M.C.A. The canteens, James claimed, were occasionally mismanaged, but the main reason canteen supplies were expensive and sometimes unobtainable was that under wartime conditions transportation and distribution were very costly and often unreliable. The basic error of the Y. was in agreeing to operate the canteens for the Army in the first place. A far more serious weakness, James said, was the poor quality of many of the men employed by the Association. "Some men over here . . . should have stayed home and conducted pink teas, made Chautauqua speeches, or, in some instances kept on driving trucks." Some were prudes and religious fanatics who devoted their efforts to protecting the morals of soldiers on leave. "The American soldier came to France to whip Germans and not to get holy," James pointed out. Others simply lacked the proper spirit of service. There were too many Y.M.C.A. secretaries lolling in the cafés and sauntering through the streets of the big cities with pretty girls, and not enough at the front. Too many were like the man who refused to sell cigarettes to some soldiers who had slogged five and a half kilometers through rain and mud because they arrived at his canteen ten minutes after closing time; too many adopted the attitude that "their serving soldiers was a privilege for the soldiers and not a privilege for the Y.M.C.A."[9]

The James story created a minor sensation in America* and led the Y.M.C.A. Executive Committee to authorize Perkins, Schiff, and Brockman (a fourth individual, John R. Hall, was soon added to the group) to make a special study of their organization. When he returned to Paris, Perkins began to push the investigation. He did so, however, under difficult circumstances. No sooner had he

* James's article "brought out promptly every criticism and every grudge which anybody seemed to have against the Y.M.C.A.," Louis Wiley of the *Times* wrote Perkins, and John R. Mott confessed: "Matters are tense over here just now . . . owing to the flood of soldiers' criticisms."[10]

arrived in the city than he came down with pneumonia. Fortunately he was not very badly stricken, but his Paris hotel was wet and cold so his doctor sent him to the American Hospital at Neuilly. He did his share of the work from his bed, while his colleagues pushed the investigation at Y.M.C.A. headquarters on the rue d'Aguesseau.* The chief difficulty, they soon decided, lay in the poor quality of many of the people sent abroad. Some were long-time professionals who were unable to cope with the strange and vastly expanded operations of the overseas program, and who insisted upon considering themselves missionaries charged with the spiritual salvation of the troops. These were men like the "professional 'Ymcaer' " who gave Harold L. Ickes "a sharp pain in the neck" when that redoubtable Chicagoan came to France as a Y.M.C.A. field man. "He was the exhorting type," Ickes explained. "He had never been near a battlefield himself, but he knew all the answers. His idea was that our first duty when we met a wandering soldier was to bring him down to his knees and join in prayer." Others were volunteers without experience, still others competent men who were unwilling to remain on the job long enough to see it through. Turnover was very great. "The lack of personnel to fill important executive positions has been lamentable," Perkins reported to Mott. He commented ruefully about the personnel problem in a letter to the Reverend William S. Rainsford: "I began life sorting lemons," he wrote, referring to his days as a clerk in his father's Cleveland grocery, "and here I am about ending it doing the same thing—trying to sort lemons out of the 'Y.' "[11]

Another basic problem was financial, and this one was particularly troublesome because it was generally misunderstood. In his sane and temperate analysis, Edwin L. James had simply assumed that the Y.M.C.A. had more money than it knew what to do with. Actually, there was great need for caution, economy, and retrenchment. In France alone, the organization was spending about $6,000,000 a month. The peace negotiations were dragging interminably in Paris; no one knew how long the Army would have

* Although he was able to be up and about after several weeks, Perkins continued to live at the American Hospital until the latter part of March, venturing forth on business only on fine days.

to remain in Europe. To raise more money at home was impracticable. Much of the work of Perkins and his fellow investigators involved quizzing local Y.M.C.A. officials in order to decide where to cut down on the varied programs being conducted all over Western Europe.

Particularly exasperating to them all was the position of the Knights of Columbus. The Knights' allotment of the United War Work Council fund was over $30,000,000, and no doubt they had done their full share in raising this money. But unlike the Y.M.C.A., the Knights did not have a large organization already in the field overseas. Although they announced plans to expand their work greatly, they did not do so rapidly enough to satisfy either the Y.M.C.A. or the Army. To make matters worse, they insisted on *giving away* everything that was dispensed from their canteens. With relatively few canteens to supply, it was easy for the Knights to be open-handed, but their policy infuriated hard-pressed and much-criticized Y.M.C.A. officials. Association leaders obtained a statement from the War Department suggesting that no organization devote more than 10 per cent of its budget to free gifts. Although they persuaded the governing body of the United War Work Council to go along with the limitation, the directors of the Knights of Columbus refused to agree.[12]

The Knights and the Y.M.C.A. failed to co-operate in a number of other ways. In October, 1918, a committee headed by E. C. Carter, chief of the Y.M.C.A. in France, had been established at the request of General Pershing to co-ordinate the work of all the welfare organizations in France. This committee had met occasionally but had done very little. When Perkins arrived in France, he, Mortimer Schiff, and Raymond B. Fosdick (representing the War Department) joined with Carter's committee in an effort to straighten out some of the tangles and to distribute the work load more equitably. Several sessions, however, "resulted in very little except conversation." The Y.M.C.A. representatives tried to persuade the Knights to take over all the welfare work in one sector. At first the Knights agreed to run the Bordeaux region, but then they backed down. Next, the Army, which had given the Y.M.C.A. the job of developing centers to which men could be sent on leave, agreed to allot two such areas in the Pyrenees-Biarritz region to

the Knights. But despite repeated prodding, the Knights failed to develop the necessary facilities. After promising to bring over thirty American girls to work in the centers—experience had shown that a few girls from home could produce a remarkable effect upon the morale of thousands of doughboys—the Knights brought over only eleven, and then put these to work in Paris. Finally Raymond B. Fosdick turned the region back to the Y.M.C.A., charging the Knight's European chief, William J. Mulligan, with an "utter lack of comprehension of leave area work."[13]

The unwillingness of the Knights to take on more of the burden aggravated the financial problem of the Y.M.C.A. Retrenchment was the order of the day. Perkins and his fellow investigators decided to cut the English program to the bone. The Army was persuaded to take over the canteens, effective April 1, and late in March the government also assumed responsibility for providing spare-time educational opportunities for soldiers. The investigators (and this was Perkins's special province) also inaugurated certain administrative reforms. They set aside a fixed sum to cover all overseas activities after March 1. A local committee was to have absolute control over the dispersal of this money. With conditions changing from day to day, and with no sure way of knowing when the troops would be sent home, Perkins reasoned that no one in New York could possibly oversee the work intelligently. Better to turn the power—and the responsibility—over to men in close contact with conditions.[14]

Perkins left France on April 10. A little less than a month later his official report to the War Work Council was released. Its general tone was favorable; it stressed the gigantic scale of the overseas work and the tremendous amount of good accomplished. "The Y.M.C.A. undoubtedly made mistakes," Perkins concluded, "but what it tried to do was to respond to every call that the Army made on it. It never hesitated to tackle any job."

As a summary of the Y.'s war work, this was fair enough. But Perkins came home from Europe deeply dissatisfied with the Association's basic orientation. It was too narrow, too sectarian, too much preoccupied with form and with small details. In June, 1919, he flatly refused to contribute to *any* of its activities "until the

future of the Y. is determined." The organization, he wrote a few months later, should put less stress on "man-made doctrines and formulas" and more on "what Christ stood for in his life and in his teachings." "In this particular hour in world affairs," he said, "I am not interested in following any movement tht is going backward." When the Reverend William S. Rainsford opined that the Y.M.C.A. had failed to make the most of the opportunity offered by the war "because it insisted upon being hampered by a book-bound creed," Perkins agreed with him heartily.[15]

Perkins's experiences overseas, together with the death of his young daughter-in-law, led him to long reflection on the meaning of life. Increasing age turned his mind in this direction too; quite suddenly he no longer possessed the bottomless supply of energy that had made possible the frantic pace of his adult years. During the War Work Council campaign, for example, he began for the first time to comment upon, if not complain about, his heavy schedule. "I have been absolutely swamped both day and night." "We got here Monday morning, and it is Friday and it hardly seems as though there had been a break in one long day." "While I have been feeling very well . . . I could probably do better work . . . if I [could] get a few days away from the constant pressure." The bout with pneumonia in Paris had left him run down, and with a heart condition as well. As a result he grew to be a more contemplative person. When reporters interviewed him upon his reaching New York he blamed Wilson for the delay in winding up the peace negotiations, but his tone was moderate. Economic reconstruction was more important than political, he said, but it could not begin until the statesmen in Paris had completed their labors. Questioned about the Communist menace, he said: "I don't know what to say about Bolshevism in Europe. There are very deep-seated troubles there. In Paris . . . people are paying $1 a piece for apples and $3 a pound for butter." When asked if, by feeding Germans and Russians, the Allies were not "nursing a viper in the breast," he replied: "How are you going to cut out any one group of people?"

Perkins's first reaction, on seeing Germany unscarred by war after having passed through the devastated areas of France, had been one of anger. The sight made his blood boil, he had written.

But now he stressed the need for rebuilding the German economy. America had lent vast sums to her Allies, he reminded the reporters. Unless Germany were able to pay tribute to them, there was little chance that they, in turn, would ever repay their debts to America. "I don't believe there is a person in the ordinary walks of life in France who has any idea France is going to pay its war debt. They think, of course, Germany will pay it, and if there is any slip-up and France has to tax its people to meet the situation all sorts of complications are possible." To crush Germany economically would therefore be self-defeating. "I don't see how you are going to shackle Germany much. If . . . you don't let Germany make money, how is she going to pay?" The reporters also asked him to comment upon political conditions in the United States, but he refused to do so. In view of what he had seen in Europe, partisan politics seemed "picayune."[16]

For many months after his return from Europe, Perkins was not very active. He was under doctor's orders to avoid overexertion, and for once he seems to have done so. He felt, vaguely yet persistently, that the world was at a great turning point; America was suffering through a postwar readjustment; unemployment was increasing, while the Wilson administration, absorbed in the problems of peace-making, did little to ease the strain of reconversion to a peacetime economy. There was much labor unrest; a bitter strike was convulsing the steel industry, for example, and angry radicals talked of fundamental changes in the order of things. There were bomb scares, and even actual explosions. (In November Mrs. Perkins received a strange package wrapped in burlap. She waited a day for a letter of explanation and then called the police. They summoned the bomb squad, and the package was finally opened. It contained a folding camp table sent to Perkins by a friend in Missouri.)[17]

"The questions that took me out of the banking business . . . are now coming to a head," Perkins wrote Beveridge. "It is impossible for me to exaggerate my anxiety over the situation." In September, 1919, he spoke at a National Civic Federation conference about profit sharing. He now talked of a system, untinged by patronizing philanthropy, where workers would receive an "equitable" share of all profits remaining after a corporation had

earned "fair returns on honest capitalization." He was unable to define "fair" and "equitable" very accurately, but the idea that part of the profits of industry belonged to labor *by right* was a new and significant strand in his thinking. Change was in the air. Man must adjust to it or face destruction, he believed. More and more he talked about "The Man of the Future," and in December, 1919, he delivered an address with that title at Columbia University.

Eleven years earlier he had made his first important speech on public questions at Columbia. Now he was summing up more than a decade of experience and thought. His theme was still cooperation. Educators, industrialists, and public men must work together if the country's welfare is to be maintained, he said. "Electricity [has] liberated our minds from our bodies," and "given [man] vast power in the conduct of his business." The American educational system has vastly increased the potential of the average citizen. It is the duty of the politician of the future to recognize these changes and "so frame our laws as to permit cooperative effort . . . conducted under proper regulation and control." For only by working together with his fellows will "the man of the future" be able to realize the possibilities opened up by his new ideas and technology.[18]

Although nothing could have been farther from the truth in postwar America, Perkins assumed that the conflict had left others as introspective and idealistic as himself. "Mankind wants to think," he told one interviewer. "The demand for shorter hours is in part the result of this desire." Prohibition would stimulate sobriety and reduction of the length of the working day would give men time for contemplation. "The combination means longer hours for sober thought," he predicted. It was this reasoning that led him to prod Gary, early in 1920, about establishing an eight-hour day in U. S. Steel plants.[19]

Where politics were concerned, Perkins was moved by a similar vague desire to get at fundamentals and by the conviction that intense partisanship was out of place in modern society. During the summer of 1919 one politician suggested to him that the trend was running so strongly toward the Republicans that they could elect "a yellow dog" President in 1920. "I told him," Perkins explained to Senator Reed Smoot, "I would be interested to know just what

use he thought a yellow dog would be to our country and the world at large in the handling of the momentous questions presenting themselves at this time." Perkins lectured Smoot about the importance of "constructive thought" and the futility of "hot-air speeches" in politics, but his words evidently had little effect on the Utah Senator. In 1920 Smoot supported Warren G. Harding, whose closest approximation to "constructive thought" involved the mouthing of orotund clichés and the coining of counterfeit phrases about returning to "normalcy." Perkins did not live to see the effect of this political experiment on the nation.

Although he remained in the Republican party and was even chosen a delegate to the 1920 convention, Perkins refused to commit himself to any candidate. The newspapers reported him flirting with General Leonard Wood, and there were rumors that the famous Perkins checkbook was about to be unbuckled, but he remained aloof. "It is not that I am against Wood or for anyone else, but because of my deep concern over our domestic and foreign situations and a strong feeling that no commitment should be made so long in advance," he told Frank Hitchcock in February 29, 1920. To another Republican manager he wrote: "The closer we get to June the more anxious each aspirant will be for help and the clearer our judgment should be as to who should have the nomination in the country's best interest."[20]

On March 1, 1920, in a four-to-three decision, the Supreme Court rejected the government's appeal in the antitrust suit against the United States Steel Corporation. Two years earlier the International Harvester case had been settled on terms which were advantageous to the company but which technically had involved the admission that it had violated the Sherman Act.* The steel decision, however, supported completely Perkins's view of proper corporate behavior. "OPINION . . . PLACES MORAL CONDUCT ABOVE LEGAL TECHNICALITIES," he telegraphed happily to Judge Gary. "AS THIS HAS BEEN OUR CONSTANT AIM NO GREATER

* "The unfortunate part," Perkins wrote after the Harvester settlement, "is that . . . it makes the record look as though the Government had won its contention that we were an illegal company. . . . [But] the only practical thing seemed to be to get it off the books as best we could, and as this has been done without any damage to the company . . . it seemed to be the broad, constructive thing to do."

ENDORSEMENT COULD BE MADE OF YOUR LEADERSHIP. HEARTIEST POSSIBLE CONGRATULATIONS." He also sent a message to "Jack" Morgan: "MY ONE REGRET IN CONNECTION WITH OUR GREAT VICTORY IS THAT THE SENIOR IS NOT HERE TO REJOICE WITH US AND ENJOY THE TRIUMPH HIS VISION AND COURAGE MADE POSSIBLE."[21]

But this was the last triumph he was to enjoy himself. He sent these telegrams from Florida, where he was spending the winter. This time, however, he was not merely vacationing. In February, 1920, he suffered a serious flare-up of an old intestinal disorder. For a number of years he had been troubled by a difficulty in the transverse colon. A kink or angulation in the colon had produced a lesion which caused this periodic difficulty. Early in 1920 he had a very severe attack. The doctors put him on a milk diet, and for six days he was forced to drink sixteen glasses a day. This was no mean feat; he could only manage to hold the milk by sipping it very slowly and then lying flat on his stomach for half an hour. By the middle of March he was somewhat improved and able to look forward to resuming his normal activities. But he was a much chastened man. "I . . . am at last fully alive to the fact that I've *got* to let up," he admitted to his son. "I *hope* I can carry out my good resolution after I get home."

He was never able to put his resolution to the test. His great store of energy had finally been used up. While still in Florida he received a message from John D. Rockefeller, Jr., asking him to take part in a drive for a charitable cause that Rockefeller was interested in. Rockefeller was an old friend, one who had given generously of his time and fortune to causes close to Perkins's heart, such as the Y.M.C.A. and the Palisades Park. Perkins wanted to help him in return, but was simply unable to do so. Not fully understanding Perkins's condition, Rockefeller tried to make him change his mind. After considerable correspondence he finally asked him merely to attend the banquet opening the campaign and say a few words to the guests. "Will you not do me this personal favor?" he asked. Alas, even this was beyond Perkins's failing strength. He called in one of Rockefeller's associates to explain, and that man then told Rockefeller sadly: "After

seeing him [I] was impressed he is in no physical shape to attend [the] meeting."[22]

About the middle of April Perkins returned to New York from the South, but he continued to fail. He had undertaken another fund-raising campaign for the Palisades Park. The $5,000,000 raised in 1910 at the time of the Harriman bequest had been supplemented in 1917 by another $4,500,000, about half of which Perkins had collected from the same private sources he had tapped before: the Rockefeller Foundation, Mrs. Harriman, J. P. Morgan, Jr., George F. Baker, and so on. Great work had been accomplished in improving the area. Roads had been built and camp sites developed. A beautiful inn, erected at Bear Mountain, served food at reasonable prices to hordes of visitors. By 1917 it was possible to find two thousand cars parked at Bear Mountain alone on a summer Sunday. During the summer of 1919, more than a million visitors made use of the park's facilities, more people, Perkins estimated, than *all* the national parks in the country attracted. Perkins's 1920 drive sought to raise $3,000,000 for further work. But he had to abandon the task half completed.

Hoping that absolute rest would lead to improvement, his doctor sent him off to the Catskills. Early in June, however, he was afflicted by what was diagnosed as a nervous breakdown. He became irrational, and had to be moved to a sanitarium in Stamford, Connecticut. A few days later he suffered a heart attack. He rallied strongly from this, but on June 18, quite suddenly, he died. The cause of death was acute encephalitis, or brain fever, complicated by the heart condition.[23]

To the newspaper eulogists, Perkins's death seemed tragic because of his relative youth; they spoke of a civic-minded and self-made man stricken in his prime, of a cruel fate depriving him of the quiet joys of age, and the community of his benefactions. But these eulogists failed to penetrate very deeply his personal mystery. His friend Frank Munsey, alone among the journalists, saw beyond this superficial judgment. "George W. Perkins is dead at fifty-eight," Munsey wrote in the New York *Sun*. "In this span he lived four hundred years."[24] As Munsey went on to say, his life had been full, his work accomplished, his duty done. More years

could have added volume and detail to his achievements but would probably not have altered their nature, or his own. Indeed, for one with his point of view the twenties might well have brought disillusionment and despair.

If there was tragedy in the life of George Perkins it was not to be found in the superficial facts of his career. No one could miss his accomplishments: the branch office system to mark his life in the insurance business, the Steel and Harvester corporations for the years with Morgan, the great interstate park as monument to his career as public servant. Only in politics was he a failure, but politics was to him a means not an end, and his basic political idea about the relation of government and big business, if still challenged, comes every year closer to acceptance in the modern world. Nor could anyone fail to appreciate the remarkable combination of personal qualities that had produced these accomplishments: his brilliant balance of imagination and industriousness, of easy charm and stern sense of duty, of buoyant optimism and hard common sense, of ambition and generosity. Perkins did not live to be very old, but he fulfilled himself many times over in his fifty-eight years.

However, in one sense Perkins's career was curiously unsatisfying. He was a born leader but he never marched at the front of a parade. He was a director who did not sit at the head of the table, a chief of staff who planned, organized, and won a dozen campaigns without ever personally receiving a defeated general's sword. "Georgie is my right hand man," Sarah Perkins wrote in 1872. Unknowingly, she was anticipating her son's fate. He was McCall's right-hand man in the New York Life Insurance Company, then Morgan's, then Theodore Roosevelt's. He was officially subordinate to the McCormicks in International Harvester, to Gary in U. S. Steel, to John R. Mott in the Y.M.C.A. war work. Formal leadership was his in the fight for lower food prices in New York, but at the moment of victory the state senate pushed him rudely aside. Even with the Palisades Park, perhaps his *chef d'oeuvre,* other names (the Harrimans and the Rockefellers) are usually thought of first by those who recall its history.

Perkins was not by nature a Warwick, although he contributed greatly to the rise of many industrial and political monarchs. He

did not purposely avoid the trappings of power, as did his Democratic contemporary, Colonel Edward Mandell House. Fortune, not inclination or his personal limitations, kept him at the side of Authority rather than in Authority's seat. He would have been President of the New York Life Insurance Company, but he outgrew the place before it fell vacant. Heredity kept him from the top in the House of Morgan, the succession there belonging by blood to the Senior's only son. A similar situation existed in the closely owned Harvester Corporation. Perhaps he could have been the Gary of U. S. Steel. But the elder Morgan chose the Judge. And in politics, Perkins could never escape from the fact that he had been associated with the most powerful firm of private bankers in the world.

Probably the key decision of his life was the most obvious one. When he entered Morgan's he turned from an activity at least nominally concerned with a public service to one directly and openly dedicated to the making of money. Although he never gave up his interest in public service (indeed, his broadening experiences as a banker helped prepare him for his labors after 1910), he lost by his service to the American symbol of wealth and privilege his best chance to realize himself completely in the work closest to his heart. When he became the right hand of J. P. Morgan he was, unwittingly, limiting his future usefulness to society. Therein lies the nearest approach to tragedy of his happy, full, and useful life.

NOTES

CHAPTER I FATHER KNOWS BEST

1. George W. Perkins (henceforth GWP) to H. H. Kohlsaat, Sept. 28, 1916; George W. Perkins, Sr., (henceforth GWP Sr) to GWP, Oct. 23, 1876, Perkins papers, Columbia University. Unless otherwise noted, material on the Perkins family history and on the early life of GWP is taken from George W. Perkins, Jr., (henceforth GWP Jr) "Life of George W. Perkins," and Emily Perkins, "Perkins Genealogy" (June 1, 1924), copies in Perkins papers.

2. E. A. Swan to GWP Jr, Feb. 9, 1901, Perkins papers.

3. Sarah Perkins to Mary Swan Brewster, Feb. 18, 1866, Perkins papers.

4. R. W. McClaughry to Edward R. Perkins, Oct. 2, 1907, Perkins papers.

5. Sarah Perkins to "Aunt Beebe," June 18, 1872, Perkins papers.

6. GWP to GWP Jr, Oct. 8, 1918, Perkins papers.

7. For Willie's character see his letters to Emily Perkins in the Perkins papers, *passim*.

8. Sarah Perkins to Mary Swan, Mar. 18, 1866, Perkins papers.

9. GWP Sr to GWP, July 21, Oct. 2, 1876, Perkins papers.

10. *Ibid.,* Jan. 1, 1881.

11. *Ibid.,* Mar. 27, 1881.

12. Emily Swan Perkins to GWP, Oct. 14, 1882, Willie Perkins to GWP, July 8, 1877, Willie Perkins to Emily Perkins, Aug. 19, 1879, Perkins papers.

13. Emily Swan Perkins to GWP, Oct. 9, 1882, Perkins papers.

14. GWP to GWP Jr, Oct. 17, 1918, Perkins papers.

15. W. H. Beers to GWP, Mar. 30, 1886, GWP to W. H. Beers, Apr. 15, 1886, Perkins papers; N. Y. *World,* Feb. 4, 1906.

16. E. J. Pocock and J. A. Hazard to W. H. Beers, Apr. 1, 1886, Perkins papers.

17. N. Y. *World,* Feb. 4, 1906; GWP Jr, "Life of GWP," Ch. 4.

18. *Ibid.*; Willie Perkins to GWP, Sept. 23, 1880, Perkins papers.

19. W. H. Beers to GWP, Dec. 22, 1886; N. Y. *World,* Feb. 4, 1906.

20. Oremus H. Bentley, ed., *History of Wichita and Sedgwick*

County Kansas (Chicago, 1910), I, p. 433; *Wichita: Metropolis of the Southwest* (Wichita, 1888), title page.

21. Notes (1887), Perkins papers.

22. N. Y. *World,* Feb. 4, 1906; E. R. Perkins to GWP, Dec. 14, 1888, GWP to J. A. Hazard, Sept. 28, 1892, Perkins papers.

23. E. R. Perkins to GWP, Dec. 9, 1888, Perkins papers.

24. GWP, memorandum, Dec. 31, 1887, Perkins papers.

25. N. Y. *World,* Feb. 4, 1906.

CHAPTER II MASTER OF COMPETITION

1. E. R. Perkins to GWP, Dec. 9, 1888, GWP to W. H. Beers, Mar. 16, 1889, GWP to J. A. Hazard, Sept. 28, 1892, Perkins papers.

2. Alice E. Ball to GWP, n.d., Perkins papers; Evelyn Ball Perkins to author, Nov. 12, 1954.

3. Emily Swan Perkins to GWP, Apr. 15, 1889; A. E. Ball, *Sketches of the Ball and Follett Families* (Privately printed, 1939), pp. 28, 56; Flamen Ball to author, Jan. 1, 1957, Evelyn Ball Perkins to author, Nov. 12, 1954.

4. Emily Swan Perkins to GWP, Apr. 8, 1889, E. R. Perkins to GWP, Apr. 23, 1889, Perkins papers.

5. Mary Swan Brewster to GWP, July 11, 1887, Emily Swan Perkins to GWP, June 7, 1888, Perkins papers.

6. Emily Swan Perkins to GWP, Mar. 12, 1889, Perkins papers.

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8. *Ibid.,* Apr. 15, 1889.

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CHAPTER XI PANIC!

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3. *Ibid.,* July 12, Oct. 12, 1907.

4. Allen, *Morgan,* pp. 188-93.

5. GWP to P. A. B. Widener, Feb. 27, 1907, Perkins papers.

6. During the panic Perkins prepared rough notes describing his activities, which he expanded immediately after the crisis was over into a detailed narrative. Unless otherwise noted, all information in this chapter is derived from this document, several copies of which are in the Perkins papers.

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14. The exact chronology of the many meetings of the Finance Committee on this subject can be followed in the committee's minutes, *Stanley Hearings*, p. 3870.

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CHAPTER XV PROGRESSIVE POLITICS

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George Perkins's genius flowered. He was chief negotiator in the formation of the International Harvester and Northern Securities companies, and was a guiding hand in the management of the United States Steel Company. In the bank panic of 1907 Perkins worked hand in hand with Morgan to avert a financial calamity. Perkins's journal, to which Mr. Garraty has had access, gives a vivid account of that crisis.

In 1912 Perkins turned to the symbol of the Bull Moose in an effort to solve, through political action, some of the pressing business problems of the day. As chairman of the national executive committee of the Progressive party, his energy and talent for organization were enthusiastically appreciated by the equally energetic Teddy Roosevelt. During the 1916 Progressive party convention, Perkins maintained a direct telephone line between his Chicago hotel suite and Roosevelt's home in Oyster Bay. The recorded conversations revealed here between the would-be coalition candidate and Republican and Progressive politicos add new dimensions to the history of these events and to the record of T. R.'s mind in action.

John A. Garraty is a skilled biographer, and his use of the Perkins and other papers dramatically documents the story of a fascinating personality who had a very real impact on his time. *Right-Hand Man, The Life of George W. Perkins* makes absorbing reading.

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